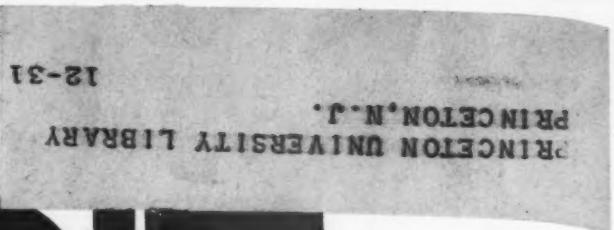


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CREDIT and FINANCIAL MANAGEMENT



■ MARCH, 1931 ■

burly and Hurley, but no
hurlyburly—page 8

"none so blind . . . as
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decreasing loss decreases
cost, by W. E. Mallalieu
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the unseen weight in the
balance, by H. S. Person
—page 24

Vol. 33
No. 3

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The clear mind . . . in business . . . is free of debt worries

THE man who hits his job in the morning with a vim that shows he likes it . . . clear eyed . . . mind on his business . . . succeeding . . . isn't worrying about bills.

Not necessarily lucky, that man. He isn't exempt from the financial misfortunes and emergencies that are liable to visit anyone.

He may have an unexpected assessment on his property, or doctor and hospital expenses to pay, or an unusually heavy accumulation of bills.

Yet he is smart enough to keep his brain and credit clear by paying on the dot, even if he must borrow to do it.

The laws of this state have helped to serve him and hundreds of thousands like him by fixing a maximum rate on small loans that is not only fair to him but that permits efficient family finance companies to operate at a reasonable profit.

He need pay even less than the rate stipulated by law, if he goes to Household, America's foremost family finance company.

It is a policy of Household to charge the lowest rate at which money can be "retailed" at a fair profit. At present its rate is almost a third less than that allowed by law on amounts above \$100 and up to \$300. It will continue to return to the public every added advantage of reduced operating costs accomplished through large volume and efficient management.



Its dealings are on the same dignified and fair basis as one may expect at any bank. More, Household sincerely concerns itself with family financial problems. A booklet, *Money Management for Households*, helps to keep family heads clear of debt worries, thus insuring clearer minds in business.



Employers are invited to read this booklet and then ask for copies to distribute throughout their organization. All may have a copy by simply telephoning, writing, or calling.

HOUSEHOLD FINANCE CORPORATION . . . Headquarters: Palmolive Building, Chicago, Illinois ... 130 Offices in 72 Cities . . . Consult your telephone directory for the office nearest you . . .

Turn the dial to your NBC Station every Tuesday night at 8:00 Central Time and be a guest of the Household Celebrities, featuring America's foremost stars of the opera, concert, and stage, as well as leading thinkers in affairs of national importance.

Campaign aids employed and employer

Those who pay wages as well as those who receive them are benefited by the financing service described in this advertisement. By relieving wage earners from worry, such loan service enables them to do better work. This advertisement, appearing in newspapers of four and three quarter million circulation, is the second of a series that will be published throughout 1931 to further prosperity and bring about a better understanding of the economic importance of small loan financing.





A WARNING to men who would like to be independent in the next five years

YOU CAN tell a \$30 a week man how to make \$40 a week.

You can tell a \$50 a week man how to make \$75 a week.

But you can't tell a \$5,000 man how to make \$10,000. He's got to know.

Between \$5,000 and \$10,000 a year is where most men of talent stop.

Health, youth, good appearance, brains will carry a man far in business.

But you cannot draw forever on that bank account unless you put something else in. Somewhere between \$5,000 and \$10,000 a year you will stop dead.

Those who go on add something to their equipment at the same time they are drawing on it.

Profound changes are taking place in business—this year, this month, *now*. The man who sees in these changes his opportunity for independence and power is the man who will make his fortune in the next five years.

BUT this opportunity, like all great opportunities, is fraught with danger. Business today is new and complex. The old rules will no longer work.

A whole new set of problems is presented by production.

Foreign markets have become a vital issue. An entirely new conception of selling is replacing the old hit-or-miss way.

The man who would take advantage of opportunity today dare not grope. His experience is a dangerous

guide. He has no time to figure out all the possibilities and pitfalls. He lacks contact with the big, constructive minds of business.

How can he seize the *opportunity* and escape the *dangers*?

FOR two years the Alexander Hamilton Institute has been laying the foundation of a new Course and Service for the leaders of tomorrow.

The ablest business minds—the men

FREDERICK H. ECKER, *President, Metropolitan Life Insurance Company.*

HUBERT T. PARSON, *President, F. W. Woolworth Company.*

DAVID SARNOFF, *President, Radio Corporation of America.*

COLBY M. CHESTER, JR., *President, General Foods Corporation.*

Men who are satisfied with departmental jobs and small earnings will not be interested in this type of training. It is offered to the kind of men who want to become officers of their companies or go into business for themselves.

Representing the condensed experience of the best business brains in the country, it offers real help to executives in meeting the difficult business conditions of today.

A BOOKLET has been prepared which tells about this new Course and Service. Its title is "What an Executive Should Know." It should be read by every man who faces the responsibility of shaping his own future. It is free.

We will send you this booklet if you will simply give us your name and address on the coupon below. But we do not urge you to send for it. If you are the type of man for whom the new Course and Service has been constructed, if you are determined to take advantage of the

rich opportunities of the next five years, you will send for it without urging.

Men who are satisfied with \$5,000 a year will not be interested in this Announcement

who have had most to do in shaping present-day tendencies—have contributed greatly. Read the names of just a few of them:

ALFRED P. SLOAN, JR., *President, General Motors Corporation.*

WILLIAM F. MERRILL, *President, Remington Rand, Inc.*

HON. WILL H. HAYS, *President, Motion Picture Producers and Distributors of America, Inc.; formerly U.S. Postmaster General.*

BRUCE BARTON, *Chairman of the Board, Batten, Barton, Durstine & Osborn, Inc., Advertising Agents.*

DR. STEPHEN I. MILLER, *Executive Manager, National Association of Credit Men.*

DR. JULIUS KLEIN, *The Assistant Secretary, U. S. Department of Commerce.*

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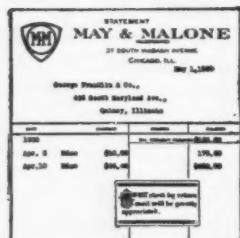
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ADDRESS.....

BUSINESS
POSITION.....

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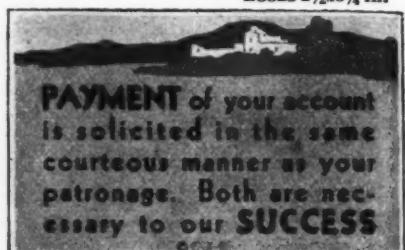
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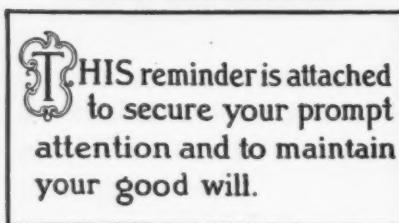
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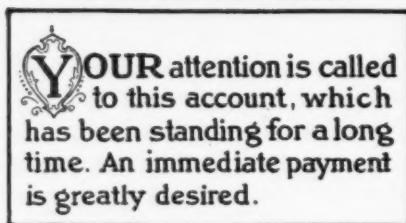
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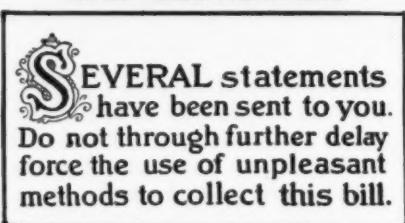
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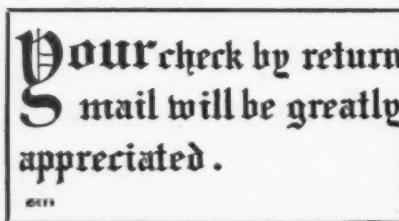
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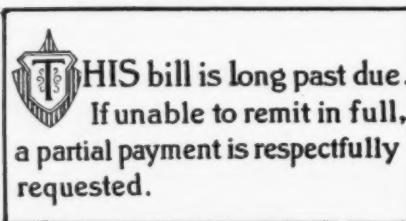
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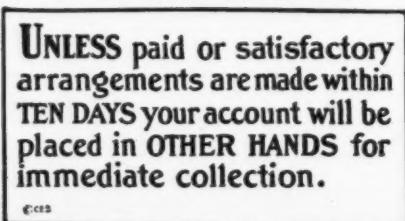
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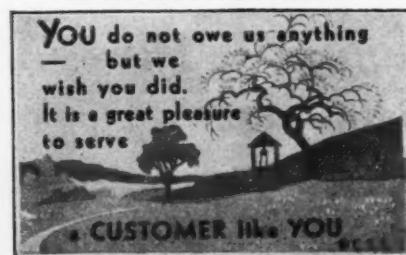


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CREDIT and FINANCIAL MANAGEMENT

CONTENTS FOR MARCH, 1931

■ Looking Ahead

The April issue will contain a great deal of valuable factual material. Chester H. McCall's interview with J. Clawson Roop, Director of the Budget, presents an interesting analysis of the activities of the national Bureau of the Budget.

Gold and its Relationship to Credit, one of the most frequently discussed economic problems is treated in an article in this issue.

There will be an article on Index Numbers—how they are determined and how they may be used. A concrete example of the application of index numbers is given in the Tenth Survey of Credit and Collection Conditions in Latin America, by W. S. Swingle, Director of the Foreign Department, N. A. C. M., in this issue.

D. B. Wilson of the Vlcek Tool Company, Cleveland contributes, "Taxumland—A Later Day Fable".

New England as a manufacturing center will be discussed in an authoritative article. The Executive Office Management and Gold Star series will be continued in the April issue.

CHESTER H. McCALL, Editor and Business Manager

S. Raphael ■ **Clifford T. Rogers** ■ **Associate Editor** **Advertising Manager**

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**CREDIT
and
FINANCIAL
MANAGEMENT**
March, 1931

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The Bentley School of Accounting and Finance

THE following statistics were compiled last year from the graduates of our EVENING division, one hundred per cent reporting. Similar statistics will be obtained this year from the graduates of our Day division.

Range of Salaries in 1929

Class of	Lowest	Highest	Median*	Class of	Lowest	Highest	Median*
1920	\$3,200	\$12,000	\$5,000	1925	\$1,300	\$6,000	\$2,500
1921	2,340	12,000	5,200	1926	1,000	9,000	2,350
1922	1,100	11,000	4,000	1927	1,040	8,500	2,000
1923	1,300	11,000	3,120	1928	900	4,200	1,820
1924	1,000	10,000	2,700	1929	936	4,140	1,600

*Note: The Median salary is determined by listing the salaries of the individual members of a class in the order of their monetary value, and taking the amount which is in the middle of the list. Hence, one-half of the members earn more than the median salary, and one-half earn less.

Employment

At the time the reports were received, 98 2/3 per cent of the living graduates of our Evening division were employed as follows:

Commercial Accounting:		Public Accounting:	
Major Positions	289	Major Positions	86
Minor Positions	<u>364</u>	Minor Positions	<u>34</u>
	653		120
Income Tax Work—U. S. Govt.	11		
Instructors of Accounting	8		
Commercial Credits:		Banking and Brokerage:	
Major Positions	19	Major Positions	17
Minor Positions	<u>10</u>	Minor Positions	<u>34</u>
	29		51
Executives:		Miscellaneous:	
Owners and Partners	20	Selling	44
General Managers	26	Lawyers	7
Assistant Managers, Branch Managers, Factory Managers, and		Teachers (public schools)	5
Buyers	48	Unclassified	<u>52</u>
Treasurers, Assistant Treasurers, and Comptrollers	<u>42</u>		108
	136		
		Unemployed:	
		Student	1
		Ill	3
		Out of work (1 per cent)	<u>10</u>
			14
		Total living graduates	1130
		Deceased	<u>12</u>
		Total graduates of Evening division	1142

A considerable number of business corporations and public accounting firms give preference to our graduates and send their representatives to us each year to select men from our senior class to develop in their organizations.

To be Bentley-trained Carries Prestige

It requires two years in the Day division or four years in the Evening division to complete our prescribed courses. Excellent living accommodations provided in our dormitories and fraternity houses. Catalog mailed on request.

THE BENTLEY SCHOOL OF ACCOUNTING AND FINANCE
921 BOYLSTON STREET, BOSTON, MASSACHUSETTS
H. C. BENTLEY, C. P. A., President

sharp claws and vertebrae



It would be a grand and inspiring thing if we should all awaken one morning to discover that during the night a startling metamorphosis had taken place. Suppose we should awaken to discover that this country's vast segment of business men known as "the retailers" had decided to wear around their necks strings of sharp animal claws or strings of vertebrae. Imagine your going into the corner grocery to buy a loaf of bread that you or the wife forgot to get the night before and finding the proprietor wearing a string of sharp, crooked ivory claws! In short, vigorous American slang all of us would probably scratch our heads and say, "How come?" Then we would delve back into the twilight ages of superstition when barbaric people wore necklaces of sharp claws because they believed that the wearing of claws would confer upon them the power of aggressiveness, since the claws were a symbol of aggressiveness in the animal. The vertebrae were symbols of strength and stability on account of their composing the vertebral column which holds the body upright and round which the strength of the back is centered.

But the grand and inspiring thing would not be to awaken and find our retailers wearing necklaces of sharp claws and vertebrae but to get up one morning and find that the vast majority of our "behind-the-time" retailers had suddenly awakened to the necessity of aggressiveness in policy and stability in management. Many of our retailers are working in a business twilight quite as reprehensible and inexcusable as the wear of claws and vertebrae would be.

The serious condition that the majority of our retailers are in has never been brought home to me so forcibly as it was a few days ago when I discussed the subject with Edward A. Filene, the *nonpareil* of American merchants. During my first interview with Mr. Filene I was interested largely in getting facts. My second talk with him enabled me to get behind the facts and more fully appreciate and understand the vast breadth and scope of his vision, his ardor

and urge for work and the comprehensiveness of his thinking processes in matters of practical, bed-rock importance.

Mr. Filene said, "*Nine out of every ten businesses are run on opinions and not facts.*" There is probably more traditional thinking among retailers than any other type of business men. Traditional thinking can not be forgiven in a big corporation that has enough money to conduct extensive and systematized research, but the thousands and thousands of retailers throughout the country have not at the present time any satisfactory means of becoming better business men through research. It seems to me that we are faced with a problem of co-operative research and that the wholesalers and manufacturers of the country can profit themselves more and do the greatest amount of enduring public good through conducting research in business service with the specific objective of making their customers better business men."

In these few words, Mr. Filene has stated one of the greatest and most fundamental problems facing business today. Most retailers will not show any aggressiveness in policy and stability in management unless help and guidance is available through some great co-operative research undertaking such as Mr. Filene has suggested. The focal point for these research activities is the credit department of the modern business organization. The credit executives of the country are faced with this inspiring challenge, characterized by great responsibility and potentially far-reaching effects. None of us want to awaken some morning and find our retailers wearing necklaces of sharp claws or of vertebrae, but it would be a godsend to business if we should suddenly find that the retailer had awakened to the necessity of an aggressiveness in policy and a stability in management. And greater still would be the satisfaction if we could feel that the consummation of Mr. Filene's inspiring vision had been brought about by the unified efforts of the country's credit executives.

—
Chester H. McCall

“TELEGRAMS...

STIR DEBTORS TO ACTION



"Telegrams have saved us many thousands of dollars in collection fees...furthermore we have retained the customers' good will which in many cases would have been lost had we proceeded through some other channels to make collection."



**...where letters
go unheeded"**

says Credit Department head

If you want to jog lagging memories and make debtors reach for their check books instead of toward the waste basket...follow up slow accounts by Postal Telegraph.

For, according to credit department executives throughout the country, a Postal Telegraph that is courteous yet stern, pointed but not barbed, can be depended upon to get attention where letters often fail.

And remember, when you follow up slow accounts by Postal Telegraph there is always a record available for future reference.

Postal Telegraph reaches 70,000 points in the United States—8,000 in Canada and, through its affiliation with the great International System, all points throughout the world.

Postal Telegraph is the only American telegraph company offering a world-wide service of coordinated record communications.

THE INTERNATIONAL SYSTEM

Postal Telegraph

Commercial
Cables



All America
Cables

Mackay Radio



boomerang!

BY DR. STEPHEN I. MILLER

Executive Manager, N. A. C. M.

It is a mistake to think that Theodore Roosevelt was the first man to swing a big stick for open competition. From the time of the early American settlements until a recent period the big stick has been swung lustily by almost everybody for competition at any cost. After a few hundred years farmers, manufacturers, merchants and consumers have awakened to the fact that the ravages of competition amount to an annual waste of billions of dollars. Too much wheat, too many merchants, too many failures, too much duplication are the forces that today are making for Socialism, Communism and Collectivism. Reasonable competition stimulates ini-

tiative and progress but cut-throat competition is a business scourge.

The Sherman Clayton Acts were meant to protect the buyer from an unfair price and to protect all types of business from unfair, exploiting, eliminating business practice. There is not a business man in the United States, possessing just ordinary common sense, who would not subscribe to such a reasonable broad protection. However, it is one thing to state a general policy and another thing to interpret and administer it. This difficulty can be illustrated when a group of men representing a given industry sit around the table discussing a dangerous credit risk. Every one feels that the customer should be put upon a cash basis. This is a question of safeguarding the Nation's receivables. This is a question of business

waste and bad debt losses. Notwithstanding the economic merit of the proposal, the group will hesitate to act as a group in putting this risk upon a cash basis. The reason for this hesitancy lies in the possible application of the Sherman Clayton Acts. No cases bear directly upon the question. There is no one who can give an official opinion about the matter. The business group proceeds at its own risk.

When a government passes a law, which in its interpretation involves business procedure the management of our industrial affairs passes over to judicial interpretation. The Sherman Clayton Acts as they now exist are retarding the elimination of waste, are interfering in the administration of legitimate business and are delaying business recovery.

burly and Hurley

"When the hurlyburly's done
When the battle's lost and won"



with less cant, confusion and mysticism than attends the average civilian enterprise, our Secretary of War transacts one million dollars' worth of business daily



an interview by CHESTER H. McCALL with PATRICK J. HURLEY

EMERGED from the Office of the Secretary of War tingling with delight that always follows an interview with a dynamic personality. His is a man's job. Yet Patrick J. Hurley is standing up under the cares and responsibilities of the position that has broken, even killed, some of his predecessors. After two years of it, his figure is just as straight as on the day he was graduated from a little Indian University more than a quarter of a century ago. The reason for his standing up so well under the demands of his office is found in one of his own crisp sentences, "I enjoy this work."

Half an hour after my interview with Mr. Hurley, I was talking to a Washington banker and telling him what I thought of our Secretary of War.

"I understand that Hurley is a great deal like Roosevelt," the banker said. "That," I answered, "is one of the best compliments I have ever heard paid to Theodore Roosevelt." When I gave my

banker friend that answer I was thinking of Roosevelt's fighting heart, driving force, tenacity of purpose, and ability to cut direct to the heart of a problem. Born an Easterner, Roosevelt prided himself on his having become a two-fisted Westerner who said what he thought. Born a Westerner, Hurley has never had to train himself to hit straight from the shoulder and to say what he thinks. Like Roosevelt, Hurley not only says what he thinks, but he generally thinks right. He has been holding down one of the biggest jobs in the country for two years, a job calling for the daily administration of intricate and involved financial, industrial and military problems.

Patrick Hurley has a background of fundamentals. His early beginnings smack of the soil. They might be called primitive beginnings, for they were of a primitive time and a primitive social order in the history of his State. The handsome man who now sits at

a desk over which a million dollars' worth of business is transacted every day, was born on January 8, 1883, in the Choctaw Nation in the Indian Territory which is now embodied in the State of Oklahoma. When you see him sitting at his mahogany desk directing the activities of hundreds of thousands of men and the expenditures of hundreds of millions of dollars, it is difficult to vision him as a penniless boy earning a precarious living by driving a mule in the coal mines or punching cattle on the plains. But such were his boyhood days.

As I sat beside his desk my mind's eye saw him as a boy signing up as a Rough Rider for service in Cuba during the Spanish American War. They sent him home when they found he was only sixteen years of age, but it gives any citizen a great deal of satisfaction to know that his Secretary of War was the kind of boy who would stretch his age to get into the Army when there was fighting to be done.

The boy Pat was still unshaven when his mental acumen told him that he

but no hurlyburly



"our secretary stretched his age in an endeavor to get into the Rough Riders"

vast industry methodically mobilized
"to meet our needs in event of war"

would never get any place digging coal at two dollars a day. He was hungry for learning. He attended a night school conducted at Phillips, Indian Territory, by a Scotchman named Thomas Gollightly. He financed his course at Indian University, now Bacone College, Indian Territory. That meant hard work to get the necessary capital as well as hard study to succeed in his University course, but he tackled the hard work with eagerness and was graduated in 1905.

The young A. B. felt that he still had a lot to learn. He paid his own way through the National University Law School at Washington, D. C., receiving his LL.B. in 1908, the days of Roosevelt and Taft. In the same year

he was admitted to the Bar of the State of Oklahoma and began his private practice in Tulsa.

But young Hurley did not want to be just a good lawyer. He wanted to be one of the best equipped lawyers that his clients could procure, so he welcomed any relief from office work on weekends as additional time for study. Four years later he was admitted to the Bar of the Supreme Court of the United States. He was National Attorney for the Choctaw Nation from 1912 to 1917, but did not confine his activities to the practice of law. During these years he acquired invaluable banking and business experience which later brought him into the presidency of the First Trust and Savings Bank of Tulsa and made him the owner of business

buildings in Oklahoma and the District of Columbia.

While he was studying Blackstone and directing the policies of banks, he still found time to play soldier—a role denied him as a boy. As early as 1902 he was Captain of Cavalry of the Indian Territorial Volunteer Militia, and held that rank until 1907. From 1914 to 1917 he served as a Captain in the Oklahoma National Guard. When the United States entered the World War, he went to France with our Expeditionary Forces. More hard work and irrepressible enthusiasm advanced him to the ranks of Major and Lieutenant Colonel. This advancement in rank would have been meaningless if it had not brought with it increased oppor-

tunity and the comradeship of soldiers. He participated in the Aisne-Marne, Meuse-Argonne and Saint Mihiel offensives. He won the Silver Star Citation for gallantry in action while serving with the 76th Field Artillery near Louppy, where he volunteered to make a dangerous reconnaissance under heavy enemy fire. He was later awarded the Distinguished Service Medal for distinguished staff work, and negotiated the agreement between the Duchy of Luxembourg and the American Expeditionary Forces in 1919. Returning to the United States, he immediately settled down to intensive work.

It was inevitable that his activities, abilities and personality should be recognized and rewarded, and on March 15, 1929, President Hoover appointed him Assistant Secretary of War. In that capacity he became the close companion and advisor of James W. Good, Secretary of War, and when the latter died Hurley was appointed to fill the vacancy.

When I interviewed him in his office the other day I said to him: "Mr. Secretary, the first question that I am going to ask you requires some introductory explanations. Before coming to Washington to interview you, I asked sixteen different business men the question: 'When I say War Department what is the first thing that comes to your mind?' Every one of the sixteen naturally answered 'war'. Then I asked: 'What is the second thing you think of when I say War Department' and fourteen of the sixteen answered 'red tape.' There seems to be a widespread and persistent belief that the War Department is bound up with red tape, so I am sure that every business man will be interested to get your explanation of the growth of the red tape legend."

Secretary Hurley swung round quickly in his chair and faced me squarely. Before he said a word he took off his glasses and placed them on the desk. I knew then that I had touched a sensitive spot. His answer to this question was concise and definite. He drove the points of his arguments home with the characteristic Hurley gesture, the right fist clenched at the shoulder and then thrust out straight to the front. I like that gesture. Above all else it is a man's gesture. It is a gesture as clean cut as his habits of action and thinking. He does not know he is using it. He throws that fist out in front of him just as vigorously when he is in front of a radio mike in a broadcasting studio as when he is face to face with a large audience. It is not a sophisticated ges-

ture. Edward Everett Hale or Henry Cabot Lodge would have considered it inelegant, but I hope Hurley, the fighting man, keeps it. It is worth a lot to his future. It is one of those things that the man in the street falls in love with because it is sincerity unadorned. You'd like it as much as I do.

"I am not surprised to get a question like that," he returned. "This red tape story is a lot of bunk. I can see now that you are going to ask me some of the questions that my friend, Will Rogers, asked me not so long ago. I like Will Rogers. He is from my own country you know. I have known him a long time. He is a brilliant fellow as well as a humorist. I answered his question on red tape with a little more emphasis than I have given you. But Will asked me another question. He said: 'What does the War Department do when there is no war?' I answered that, too, but don't let me interrupt your questions. My answer is that the War Department is guilty of letting this myth about red tape grow to huge proportions without doing anything about it."

"Why do you think this widespread idea about the War Department's being tied up in red tape has developed then, Mr. Secretary?" I asked.

"As I just said," he answered, "It is because nothing has been done about it. Because of the absolute necessity of the War Department's maintaining a scientific system of checks and counter-checks, some misinformed and some disgruntled people have started a myth that the War Department is tied up tighter with red tape than Samson was with Delilah's bonds. Through the years no real attempt has been made to disprove this unfounded belief and explain the truth. There is less red tape in the War Department than in any business organization of its kind in the country. The War Department will compare favorably with any of our big business corporations, when it comes to a question of operating and administrative efficiency. Even though many of its activities are hampered by legislative regulations and restrictions, even though it must have its vast and intricate system of checks and counter-checks, the operating efficiency in the War Department is miles ahead of many of our great business organizations. Every major act of the War Department reacts favorably or unfavorably on the various branches of the War Department, such as Rivers and Harbors, Inland Water-

way transportation, the Panama Canal, Insular Affairs, Munitions, Procurement, or the direction of the Army, the National Guard, and the Reserve. Many times decisions made by the War Department affect the other Departments of the Government and even the citizenship in general. For these reasons, the War Department must make a complete survey of the far-reaching effects of every major decision it makes. Some people who have special interests to serve or, we might say, who have an ax to grind and want it ground immediately shout 'red tape' if the War Department does not decide their way before ascertaining the effect the decision may have on other Departments of the Government. For example, when an automobile manufacturer commits his factory facilities to the production of tractors, his sales success depends only on producing a tractor that will meet the demands of the farmer and the road-builder. But what happens when the War Department sets out to build a tank? It not only has to be built cheaply enough to come within the limitations of the Ordnance Department budget, but also within the limitations set by Congress. The Chief of Infantry has to be assured that it has armament enough to support the advance of his infantrymen. The General Staff has to be assured that it will be fast enough to add to, rather than detract from, the Army's mobility. The general officers who will have to use it in action demand that it have speed and fire power, and also the stamina to stand upon under gruelling service. It must be built to go through stone walls, buildings, ditches and seas of mud. All of these fellows are justified in their demands, and if the War Department does not consider, and meet, each such legitimate demand, it isn't giving the taxpayer his full dollar's worth of National Defense. This careful and complete consideration of all the problems entering into the production of a new weapon for the Army, or the building of a new seawall or levy or canal can hardly be called red tape. Webster defines red tape as official formality and delay. We have no official formality around here in the doing of the day's work. There is no official here who is big enough and important enough to compel the rest of us to wait on him while he delays the wheels of progress.

"The War Department's personnel problem alone is greater than that of

(Continued on page 32)

help yourself!



THE United States Department of Commerce is about to undertake a nation-wide survey of mercantile credit which will include all the principal types of wholesaling, manufacturing and commission businesses selling direct to retailers, in all sections of the country. The survey is being undertaken at the request of the National Association of Credit Men and will be made with the cooperation of its 137 affiliated associations.

The survey is the result of several conferences held during 1930 between representatives of the Department of Commerce and credit men throughout the country. Mr. Lawrence Whitty, at the time President of the National Association of Credit Men, represented the Board of Directors of the Association in these conferences. Among other opinions expressed by him, Mr. Whitty said that "business needs a positive awakening to the significance of present trends in credit extension . . . We

a reminder that those who receive the 'Mercantile Credit' questionnaire are the ones who will profit most from the resultant survey directed by

DR. W. C. PLUMMER
Merchandising Research Division
U. S. Department of Commerce,
Wharton School of Finance
and Commerce,
University of Pennsylvania

have been thinking so much in terms of mass production and mass distribution that we have slowly, perhaps unconsciously, evolved into the practice of mass credits. The business executive in the confusion and stress of rapid economic changes has been insistent upon volume, and under highly competitive conditions that have existed, sound credit principles have given way. By this process we have built up an overextended, undernourished retail group, the widening fringes of which would perhaps be found upon close analysis to be a heavy economic burden."

The purpose of the survey is to secure a fund of factual material which will serve as a back-ground for sound credit extension policies on the part of wholesalers, manufacturers, and commission houses in their dealings with retailers.

Twenty-five separate classifications of wholesale business have been set up and
(Continued on page 37)



by
Major GEORGE J. STARR
Reserve, U. S. Army

"AND see the land what it is; and the people that dwell-eth therein, whether they be strong or weak, few or many

"And what the land is that they dwell in, whether it be good or bad, and what cities they be that they dwell in, whether in tents or in strongholds

"And what the land is, whether it be fat or lean, whether there be wood therein or not."

Thus did Moses instruct the agents whom he was sending on a mission into the land of Canaan. And down through the ages we find that every great leader,

application of the military principle naturally falls on to modern business attack . . .

information vs.

before invading an enemy country, has sent out his trusted agents to study and report to him on the vital points that would in any way have an effect on the undertaking. Today, the wording would be different, but aside from that, the instructions given by Moses might well be given by any modern military leader.

General Lee, who with Wellington stands at the top of the list of great Anglo-Saxon soldiers, said, in issuing instructions to General Stewart, "Go and seek intelligence upon which to base future operations."

Moses instructed his agents to obtain for him certain *information* which he would analyze and from which his own conclusions would be drawn. General Stewart was instructed to obtain *intelligence* on which further plans would be based.

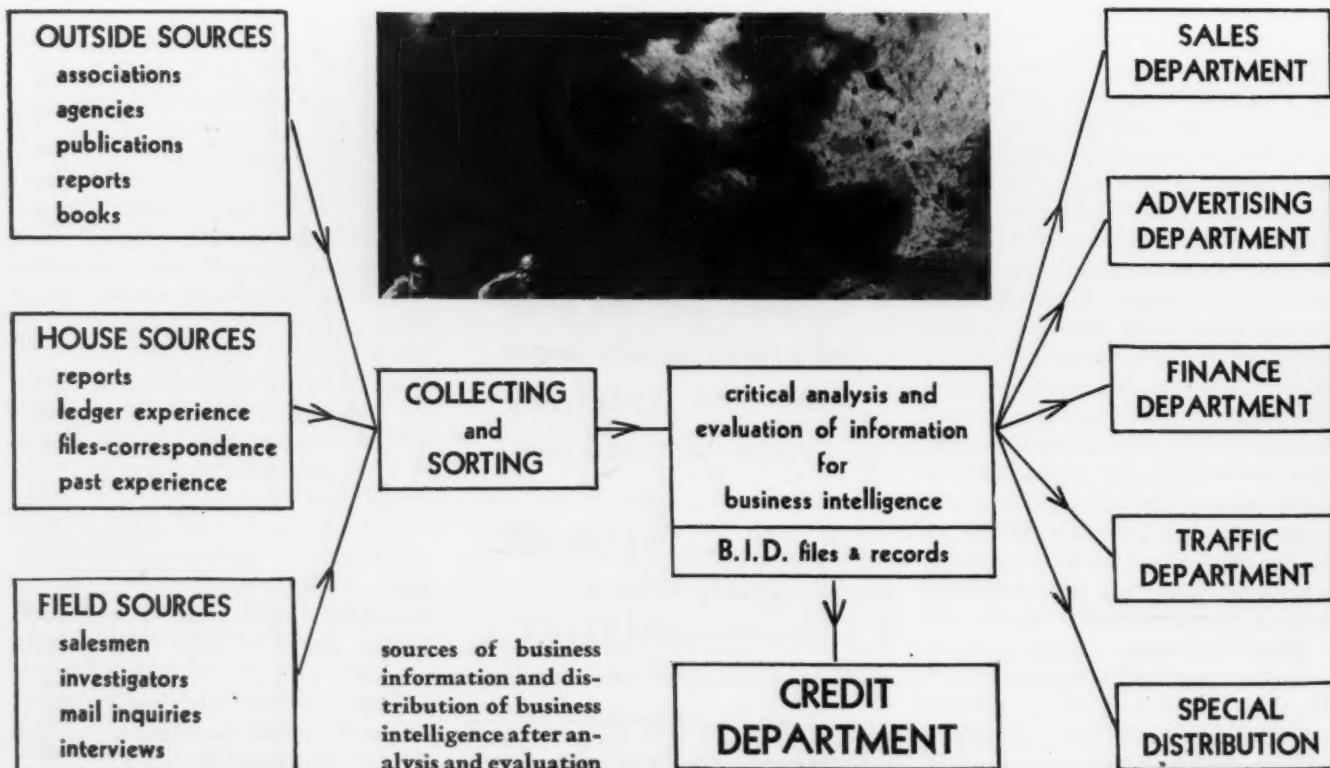
There is a distinction between military information and military intelligence. The former is, of course, any information bearing on or of interest to

the military organization. It may be very much in the rough, of great or of little value, reliable or unreliable, and on its face, or of itself, it may have no significance whatsoever. To attempt to make use of it to any extent in modern warfare, or in preparing future plans, would probably bring disastrous results. How then is value to be given to this information, for inasmuch as information has been sought by military leaders, there must have been some method developed to make the information, which is obtained, of value.

To quote from the regulations: "Military intelligence is the most complete and most authentic available information of a possible or actual enemy or theatre of operations which has been critically analyzed and the strategical or tactical conclusions drawn from such analysis."

It will be seen, therefore, that what distinguishes "military intelligence" from "information" is summed up in two words, *critical analysis*. This process is defined as "evaluation," and the duty of the military intelligence or-

————— BUSINESS INTELLIGENCE ——————>————— BUSINESS INFORMATION ——————>



3. intelligence

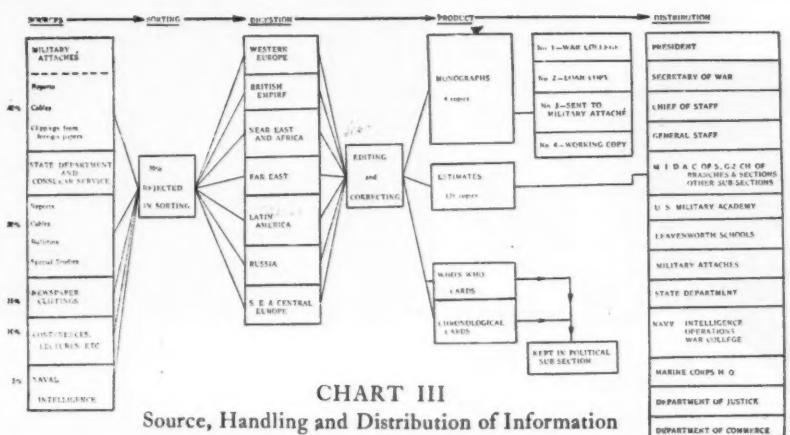
ganization of an army is the collection and evaluation of military information and the dissemination of the resulting military intelligence.

There is an interesting parallel between the military and the business organizations of a country. Modern business with its keen competition for the consumer's dollar is a war fought on many battle fronts. The objective is different, but the struggle is just as relentless and the march of the business army just as steady. The information and "intelligence" so necessary to the military body are indispensable in modern business. It is necessary that the most complete and most authentic information available be obtained. To this end we have the various credit checking services, trade publications, business periodicals and credit investigators, as well as the reports prepared by the various credit associations and similar organizations.

More and more importance is being attached to another source of information, a source so frequently overlooked by those who should be making

(Continued on page 38)

- unevaluated information as devastating as ignorance
- application to business of a lesson learned in war might decrease the casualty list of "one billion paid annually at an average of 8.63 cents on the dollar"

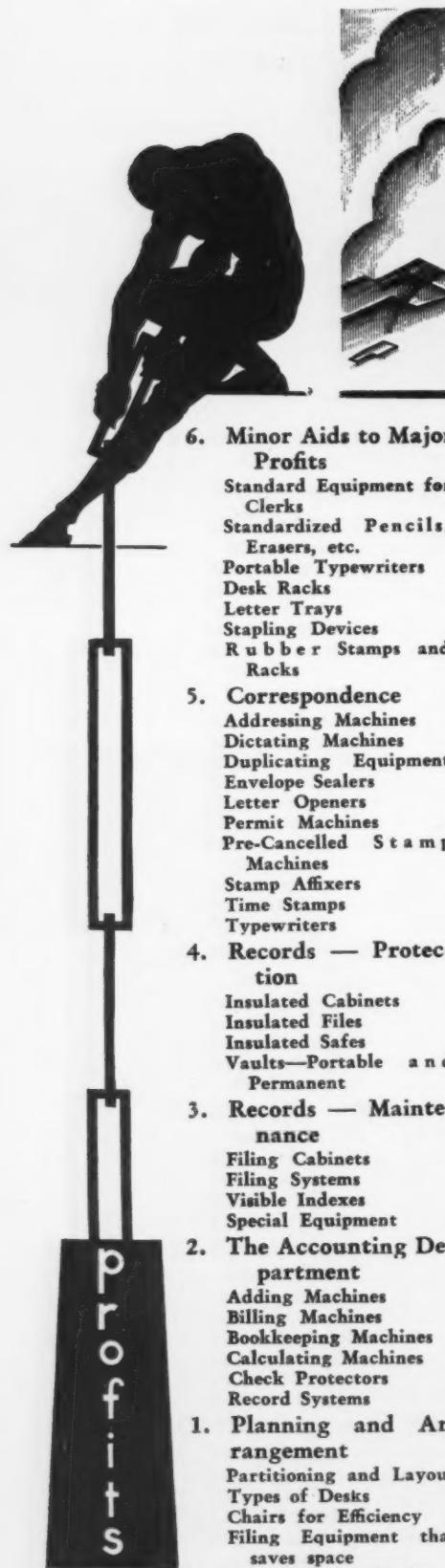


one of a series of charts that visualize the extent to which military information is analyzed before it is considered available as intelligence . . . on the original the notation "50% rejected in sorting" is significant

others cannot, "in the heat of battle, have the calm analytical mind necessary to convert business information into business intelligence"

"All Quiet Along the Western Front"—Universal





machines

■ mechanical accounting, properly applied, increases production and cuts the cost of time and labor spent sufficiently to repay the cost of installation plus a steady dividend in saving

by H. P. PRESTON

it is not feasible to describe every function of every machine available to serve business, even in the accounting division. Perhaps this is not necessary. It is sufficient to indicate the wide range of applications of business machinery and the fundamental economies resulting from the mechanization of accounting and statistical functions.

I would like to reiterate a warning against two attitudes of mind (which I symbolize by their extreme manifestations) which must be scrapped, relegated to the limbo of yesterday's forgotten seconds. The first is the complacent view expressed by "oh, yes, such and such a machine is all right but . . ." The other viewpoint, equally hamper-

FOR a modern business, large or small, to conduct its accounting department without the aid of present day business machinery is like going from New York to San Francisco with a horse and an Irish jaunting car. It can be done. But it is hardly practical. To depend on manual methods of posting, billing, calculating, tabulating and the keeping of accounts and statistical data in general is to bury yourself beneath a mountain of needless overhead and errors. Business machines mow down these overhead hills and build up a substantial peak of production.

If it were necessary, hundreds of examples, representing every line and every size of business, could be given proving how modern business machinery has reduced errors, eliminated confusion, liberated labor for other tasks, cut down the terrific strain of recurrent peak loads, saved management money and generally increased wages for employees.

It is safe to say that no business of any size whatever can operate today at full efficiency without the aid of business machinery. For no business can be considered *fully* efficient without adequate facts for control purposes and certainly every principle of management dictates that these facts should be procured with the utmost speed, the fewest errors and at the lowest possible cost. The only answer, in these days of huge volume, is business machinery.

Within the compass of a single article



move mountains

ing to progress, is "that's fine for the gadget business but it wouldn't apply to us." Currycomb your mind, if necessary, to rid it of any trace of these two fundamental misconceptions.

For no machine is "all right but" . . . "It either fully fits the job or it doesn't. If it fits no "buts" are necessary. If it doesn't—it was not selected with sufficient care. It seems platitudinous to again point out that business principles are basic. There are seldom marked exceptions. Few businesses really are "different"—especially as regards their accounting functions. It is true that a certain complete system may not, in entirety, be applicable to your business. The fundamental principles underlying such a system, however, usually are the same for the maker of cheese or chalk.

In this connection, I would like to point out that the illustrations of applications of business machinery used in this article are all *typical* examples. They are capable of duplication in any line of business and the principles they embody have been found just as effective in smaller organizations as in the largest companies.

Quick, accurate posting of records and the prompt follow-up of delinquents are a necessity in every business. The firm of Parke, Austin and Lips-

combe, publishers of de luxe books in series, were especially interested in these factors of their accounting work since their publications sell for large sums and a monthly payment plan is, therefore, encouraged. As the business expanded, hand posting became more and more burdensome. Clerical effort was great. The records tended to become bulky. Posting and collection clerks interfered with each other's work.

The company, according to Mr. Robert A. Hogan, Secretary, became convinced that a change was essential. Not only were greater speed and accuracy wanted, but certain information was desired which could be obtained only through excessive and costly effort under manual methods. The company spent some time investigating various machine applications and, finally, adopted a standard electric accounting machine in conjunction with a co-ordinated records system worked out by Mr. H. C. Green, Comptroller of the organization, in co-operation with the representatives of the machine manufacturer and the house making the forms.

The actual change was made over the week end. No trained operators were employed for the machine. The same staff was retained. Yet the improve-

ment in the work was almost instantaneous. Formerly, four girls working overtime got a trial balance by the 10th. Now, two girls, without overtime, get a trial balance by the 3rd. The machine makes, at the time of posting, a transcript of every transaction available for the collection department. This has eliminated interference of collection and posting clerks, insured greater accuracy and materially speeded up collection work. Under former methods a further increase in the company's business meant additional staff. Now there is a considerable margin of room for growth with the present staff.

Through a system of eighteen controls, allocation of items for taxes, commission, etc., is done automatically. The formerly difficult job of quarterly break down analysis is now made relatively easy through the automatic segregation and cumulation of items. Not only are the facts as to the amount of delinquency, for instance, readily available, but, what is equally important, the exact number of delinquent accounts is shown.

Since every item is automatically accumulated and classified, vital figures are now available quickly and with a certainty of accuracy. Accumulative figures for segregating payments by years of sales and publications are a matter of course. Figures as to the specific number of down payments, the amounts of same, the percentage of new

(Continued on page 41)

selling



Q. J. PAPINEAU

**the credit department
can sell merchandise
and the merchandising
department can sell
credit if the credit
department is sold
to the merchandising
department.**

**involved?
not as recorded by**

Q. J. PAPINEAU

Credit Mgr., Pet Milk Sales Corp.

YOU don't give a tinker's damn about what we do or how we do it, unless our methods can be of use to you. If in our points of view and the things we do there is an idea of value, you are welcome to it. Many of our methods and mechanics are common to credit departments. We'll not bore you with them. Only that which is new, different, at least uncommon in policy or practice, will be offered for your inspection. If we have anything to offer which is different, it is our policy of practicing what progressive credit minds are preaching.

From the early days of credit developments to the present time, credit

men have been told they should be their company's best salesmen, that they should be students of human nature, diplomats, past masters in the art of handling salesmen and customers. Their collection letters have been dubbed "ambassadors on a difficult mission". In the credit man's hands, it has been said, lies the power to build or destroy goodwill. Of late we hear that he should be a master of merchandising, and an aid to business in distress.

When the average credit man sees his possibilities thus arrayed he is flattered. He is so complimented by the picture of what he ought to be, by the portrayal of his possibilities, that he seems satisfied to stop there and to do nothing to make the portrait one of achievement rather than of possibilities.

Salesmanship should not be foreign to credit executives. They need sales ability to sell policies, to persuade customers to pay, and to build goodwill. Their job is the selling of intangibles, the most difficult of all things to sell. Often they face the delicate task of placating peevish customers, and soothing sulking salesmen. Everywhere they turn there is a job of selling to be done.

We have injected into our Credit Department sales views, sales ability, and sales methods. That accomplished, the sales-conscious Credit Department has gone to work on the Sales Department, selling it a variety of ideas designed to make the Sales Department

credit-conscious—with the result that we have a sales-conscious Credit Department and a credit-conscious Sales Department, an ideal combination.

The creation of this combination was interesting work, accomplished by a series of bulletins to the sales force, the first of which dealt with "BARTER"—The Beginning of Business". The opening paragraphs are typical of the colorful light in which the subjects were presented. Read them:

"Barter"—what a fascinating term! To define it would be to outline the history of the world.

"When Cleopatra, secure in her charms and imperial power, sent emissaries throughout her realm to levy taxes, they returned, not with certified checks or stacks of paper money, but with caravans laden with the fruits of the land, and the results of the artisan's toil. A cumbersome way of collecting taxes, yes—but the only way, for at that time money was not the medium of exchange that it is today . . . etc."

Step by step we led the way along the path of finance reaching, finally, our main objective, the subject of "Credit". The following quotation illustrates again the style used:

"In the legend of 'A Thousand and One Nights' there is the story of Aladdin and his Wonderful Lamp.

"It is related that, 'whosoever possessed this lamp commanded the wealth, the power, and the wisdom of the world'. The kings, the soldiers, the slaves, and the sages all stood ready to do his bidding. To him the obstacles of space and time were as naught, for Aladdin could travel from China to Africa in the twinkling of an eye, and when, as we are told, he married the daughter of the king and desired for her a castle of great size and splendor, it was built by the slaves of the lamp in the hours of one night.

"The story of Aladdin's Lamp is a fable, but it reminds us that in modern business we have an instrument which builds castles in a night; an instrument by means of which we are able to accomplish today things that otherwise would not be possible for years to come. That instrument is CREDIT.

"Credit" is a progressive force build-

credit departments

ing not castles for kings, but homes for you and me, schools for our children, and industries and institutions for the common good . . . etc., etc."

Companionate marriage was a topic of lively discussion at the time these bulletins were being issued. Here is one showing how we treated the phases of credit pertaining to our business:

"Companionate Marriage—a social innovation—free from the obligations imposed by the so-called 'old fashioned marriage'.

"Why are we writing about it? Because, from the way some customers violate our terms, we wonder if they think there is something 'companionate' about our sales. These customers must think that when they enter into a sale with us they are not bound by any obligations whatever. Our terms of thirty days don't seem to mean anything to them. They pay when they get ready—in forty days if it suits their pleasure—if not, then in fifty or sixty days.

"We are not old fashioned. We don't scoff at new ideas. Our appreciation of modern trends and the employment of modern methods are two reasons why we are the leaders in the evaporated milk industry. The milk business, however, has evolved no such thing as a companionate sale. The moral and legal obligations of the customer are the same as when we started in business forty-two years ago.

"Every sale we make is virtually a contract. We agree to furnish a designated quantity and quality of milk at a price which the customer agrees to pay according to the terms of sale. The agreement binds both parties equally. The customer's moral and legal obligation is no less than ours. He has no more right to withhold payment beyond the thirty-day limit than we have to charge a price higher than the one agreed upon. A customer who violates the terms of a sale is guilty of a breach of contract. To take extra time for payment of a bill is as unethical as entering our warehouse and carrying away cases of milk. The extra time doesn't belong to the customer any more than the milk in our warehouse.

"Don't get the idea that all these customers should be sent to jail. Every one who violates our terms doesn't do it deliberately and maliciously. Many

of them don't realize that what they do constitutes a breach of contract, and that each violation is a black mark on their credit records. If they did, they would be more inclined to respect our terms.

"If you want to do something for your customer, your company, and yourself, make use of every opportunity to explain to the chronic violator what his obligations are under the terms of a sale. Show him, also, how each violation injures his business reputation. Whenever you convert a customer from a violator of terms to a respecter of terms, you help the customer to improve his credit standing; you help to reduce our collection cost; and last but not least, you help yourself—because when a customer pays his bills on time there won't be past due invoices to stare you in the face every time you try to make a sale. Your job will be easier and your sales greater."

The salesmen liked these bulletins. When the series ended they clamored for more.

Now let's take a peek at a peevish customer. Then on we'll go to what we think are the most interesting things we do. Imagine yourself arriving at

companionate marriage "would never produce these results so essential to milk production, yet "from the way customers violate our terms, we wonder if they think there is something 'Companionate' about our sales."

the office some beautiful summer morning and opening a letter from a customer who writes:

"Dear Sir: 'Please go sit on a tack.' and who then proceeds to tell you that a letter you wrote regarding the unfairness of deducting unearned discount was all the "bunk", and that your professed desire to allow no customer a privilege which is not granted to all is nothing but a blind behind which you crouch like a beast of prey waiting to pounce upon the tardy customer and rob him of his cash discount."

How would we handle that fellow? Read our reply and see for yourself:

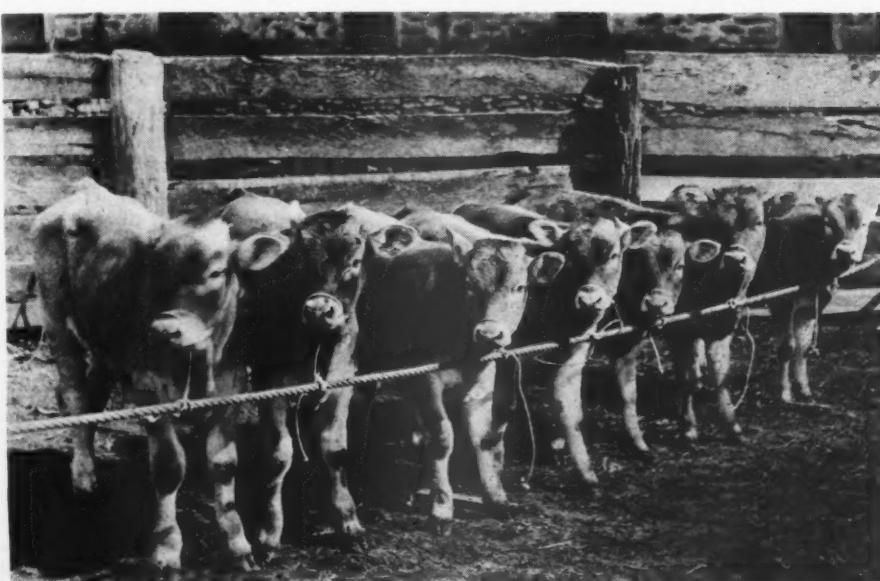
"Dear Mr. Smith:

"An old professor used to tell us that the first thing we had to do in writing a letter was to attract attention, and that the best way to do that was to say something startling or unusual.

"If he were shown your recent letter, that is, the one which you begin by saying, 'Go and sit on a tack', it is certain he would point to it as an outstanding illustration of how to make the reader sit up and take notice.

"All joking aside, Mr. Smith, it is refreshing to meet a man, even though only through correspondence, who doesn't hesitate to tell people exactly what he thinks. Many men are prone

(Continued on page 44)



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, 1931

"The next really severe depression will occur in 1930 or 1931" . . . Simonds . . . published in 1928



by ALVAN T. SIMONDS, president
Simonds Saw and Steel Company

NEARLY everyone in the world had to take his depression medicine in 1930. Some had to take only a few ounces, a small bottle of the nauseous, disgusting stuff; others took several bottles, all of hospital size. A small label at the bottom of each bottle carried the words, "Made in the United States." We are frequently asked, "Was it made by the business men of the United States?"

Sometimes the easiest way to answer a question is by asking another. Socrates led others to see the truth by asking questions which directed their minds to where the truth lay. Let us ask ourselves a few Socratic questions.

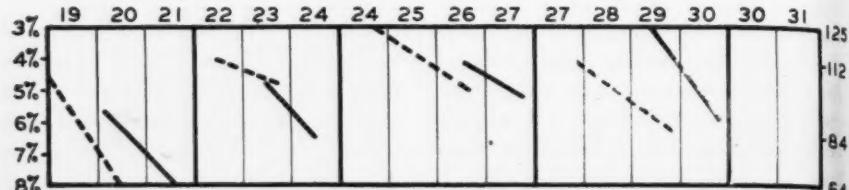
Was wild and foolish speculation in the United States in 1929 one of the chief causes of the depression which followed?

Were business leaders and business managers active in this speculation for a rise in stock prices beyond all reason?

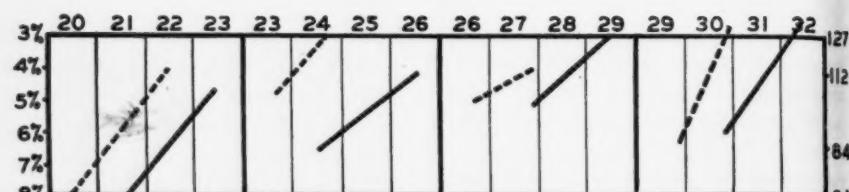
Did great business organizations and wealthy business men provide funds to be loaned on call for carrying on this speculation?

Did the Federal Reserve Board by re-

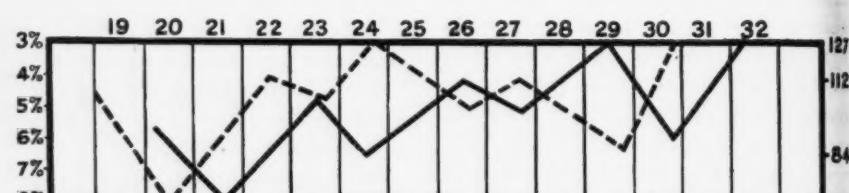
the dotted line is commercial paper rates . . . the solid line is the volume of industrial production . . . both are taken from the Federal Reserve Bulletin



each downward swing has been foreshadowed



each upward swing has charted itself in advance



a line between the two combined, between the warning and the proof might well be used to graph the unending history of the old familiar business cycle

"none so blind."

ducing the rediscount rate to 3½ per cent. in the latter part of 1927 give the original impetus to this speculation?

Did the Federal Reserve Board by not promptly increasing the rediscount rate allow this speculation to get beyond bounds?

Did selling organizations by high pressure selling and provision for easy credit on the instalment plan oversell in many lines and especially in luxuries and conveniences?

Were producers, by over stimulation of their selling organizations, largely responsible for the over-selling?

Did producers in many lines over-produce so that when buying fell off they were left with over-large inventories?

Did business leaders, business writers

and business editors teach the common people, the chief consumers, the hoary fallacy that spending in any old way makes good business, that this was "a new era," and thrift was no longer a virtue but a minor vice?

Did business writers and business editors, acting according to the well known desire of the big business leaders, mislead the rank and file of business men and of consumers also by publishing only optimistic forecasts of business?

In the four months between the date upon which business activity reached its cyclical peak in 1929 and the stock market crash, did the daily press, the trade papers and periodicals and the outstanding business magazines warn their readers that business activity had passed its peak?



... as those who will not see" . . .

Did the commercial forecasting organizations directly advise their clients of the falling off in business and of what should accordingly be expected in the stock market?

Did some business leaders, business writers and editors know what the situation was and what was coming and not give warning?

Did others know and give warning? Count them. They were the Pariahs of the time.

Was the great majority of business leaders, business managers, business writers and business editors ignorant or simply misled by crowd psychology and by personal business and speculative interests?

Was the depression through which we have just passed made by the business men, including bankers, editors and writers, of the United States? Surely

they were 80 per cent. responsible. Did you help?

Having examined these bones and found that when properly articulated they make a skeleton of a typical Babbitt, genus Americana, let us turn our attention to the constructive phase of the subject. Can we avoid another serious depression and how?

It is difficult and often impossible to avoid occurrences that we cannot and do not anticipate. A quartet of wild college students in a high-powered car driving in the middle of the night have often lost their lives by running into a heavy truck standing at the side of the road without rear lights. Even under such conditions, disaster might have been avoided by very careful driving.

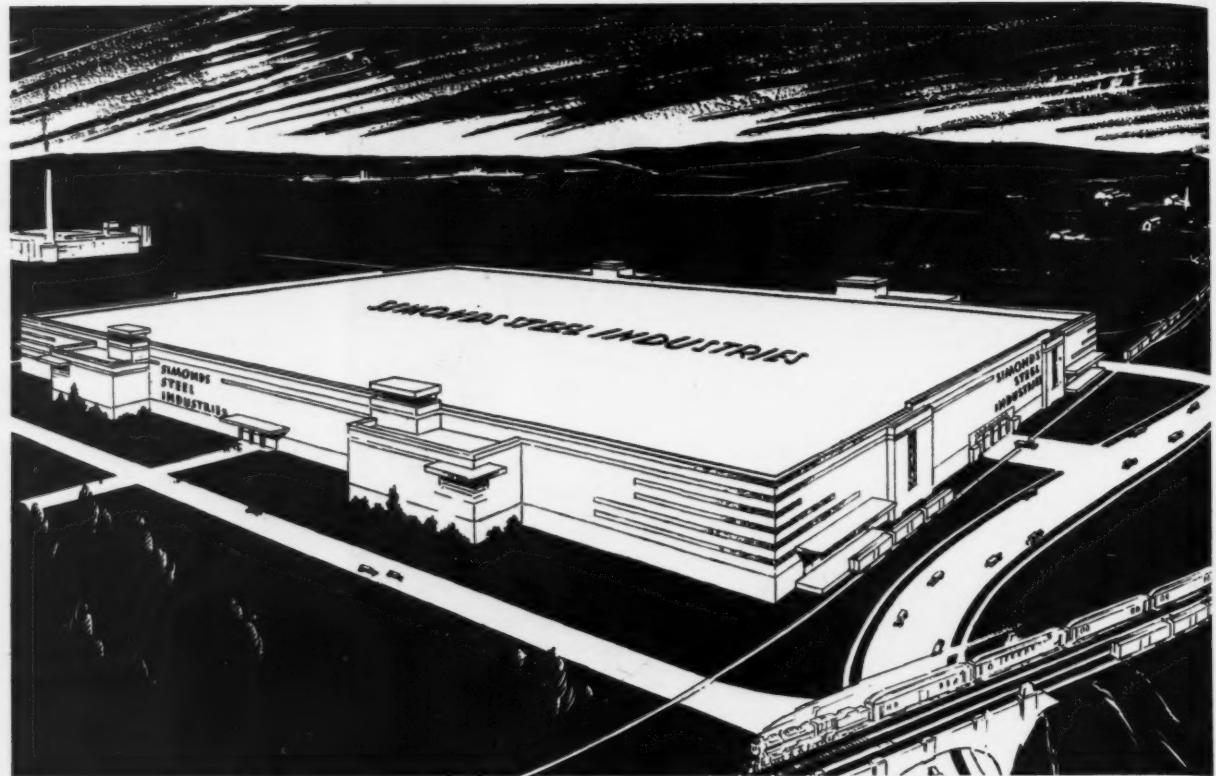
At the time of a serious depression,

the ordinary business man believes that such a thing will happen again. During early revival he clings to this belief. If revival develops into boom, he is likely to be cautious and to fear a following depression. For this reason when that depression does come, it is not usually very serious. The business manager congratulates himself on his foresight. Usually this foresight carries him through still another cycle without meeting an extremely serious depression. The history of the United States shows, however, that when the peak of the third cycle arrives, the business man is not so cautious and he is easily persuaded to believe that the business cycle has been conquered or annihilated. At any rate he is easily convinced that if depression comes, it will be mild. He is nearly ten years older than when he passed through the last serious depression. In that time many of the executives in the organization have changed and their places been taken by younger men with no first hand knowledge of the previous severe depression.

In 1921 the United States passed through an extreme depression. In 1924 there came a depression, but not nearly so severe. In 1927 there came another depression, but very mild. So the business man who was so thoroughly frightened in 1921, now grown

variously phrased has been attributed to John Heywood 1565, Mathew Henry 1662-1714, Jonathan Swift 1667-1745 etc. etc., and patly describes that large majority whose ostrich-like tendencies seem chiefly responsible for every serious business depression.





Windows, so often likened to eyes will be omitted from the new Simonds Saw factory soon to be erected in New England, seat of the next N. A. C. M. convention . . . symbolic of the stand taken in this article: the light within, not the eye, determines vision.

older and more secure, with his younger assistant executives, was easily led to believe in the "new era." A study of the business history of the United States would have shown seven severe depressions occurring between 1796 and 1857, and seven severe depressions occurring between 1866 and 1921. These recurring depressions came approximately once in ten years. In "The American Way to Prosperity" by Gifford K. Simonds, General Manager of the Simonds Saw and Steel Company, and John G. Thompson, Assistant to the President, published in the spring of 1928, it was pointed out that "the next really severe depression in the United States will occur in 1930 or 1931."

Since the war, business has moved in short cycles of about three years in length from peak to peak, with peaks in 1920, 1923, 1926 and 1929. Each peak has been followed by a depression or recession. The two severe depressions came about ten years apart in 1920-1921 and 1929-1930.

The reader will note carefully that the above statements are not opinions of the writer but simply the statement of facts that any student can ascertain

for himself. One of the great difficulties with business men seems to be that they are not students. They pride themselves on being practical men. They have little use for theory or for the lessons learned from the experience of anyone except themselves. They forget that their little lives are short and the experiences that touch them are insignificant in comparison with the experience of millions of people over a hundred or more years. Many of these business men do not believe in reading much. They seldom stop to ask themselves how they can know what other people for a hundred years have learned from their experience unless they do read. They are often foolish enough to believe that a talk of an hour with a great business leader like Owen D. Young or Henry Ford or Paul M. Warburg would give them more direct knowledge of the theories and the practices of these men than anyone of them could give in writing (as Mr. Warburg has done) two volumes dealing with the Federal Reserve System.

There was no good reason why any business manager should not have known that in May or June of 1929 business had reached its cyclical peak and was moving down into depression, for this fact was on record after the latter part of July. There was no good and sufficient reason why any intelli-

gent speculator, including business managers who were buying for the rise, should not have known that the cyclical turndown in business would be followed by a turndown in stock prices, beginning soon after if not before.

The captain on a vessel at sea knows that when the barometer falls fast and far, he must expect a storm. It is because there is such a barometer indicating storms and fair weather in business activity that I do not hesitate to make the following statement: Beginning with May, 1928, "Looking Ahead" published repeated warnings that business would reach its peak in the first half of 1929 and be followed by a decline. This by implication also meant a decline in the stock market. This forecast was made by a barometer, an economic factor, i. e., by the major swings in money rates. "Looking Ahead" used commercial paper rates, not because commercial paper rates are a better barometer than a composite of all money rates, but because they are simple and readily available. A composite rate made up from acceptances, commercial paper, time money and call money would probably prove to be a more sensitive and an equally reliable barometer. Commercial paper rates however answer very well and any business man who is interested can follow the movement of these rates.

(Continued on page 47)

"this month's collection letter"

We present our seventh "This Month's Collection Letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering and which will later be presented to readers of CREDIT and FINANCIAL MANAGEMENT.

■ The depression through which business has been passing has had one good result,—it has taught business men that bad times can be licked only by cooperative, concerted movements in the entire business group.

The collection letter which we present this month embodies this idea, by preaching the doctrine of "Pay Now." The "Buy Now" campaign has had its good results. Business has begun to

Dear Sir:—

"Buy Now"!

What a familiar slogan in these turbulent times—but really necessary to bring back the good old days, when merchandise moved and collections came in on time.

Surely, all of us want to see this period of prosperity again—and you can help, too.

"Buy now" is all right—don't you think, though, that it should be harnessed up with "Pay Now"?

Lack of circulation is our national disease—if everybody followed the urge to "Pay Now," think of the fine stimulus given to the return of better business conditions.

Need we add that our account for \$—.00 is (— days) past due?

Do your share and "Pay Now." We are doing likewise.

Sincerely yours,

M. Rickles,

MR:EMN

Comptroller.

move, slowly but discernably. What will keep it moving smoothly and help it gather momentum as it goes? Prompt collections, money flowing in regularly and being speedily put to work in productive enterprises.

Mr. M. Rickles, Comptroller of the Van Kannel Revolving Door Company, who sent in this constructive collection letter, makes the following interesting comments about the collection procedure and policy of his company:

"Our analysis of good collection letters has resulted in a selection of fundamental rules, which we adhere to as much as possible. These are:

1. Frankness
2. Appeal to reason
3. Appeal to pride
4. Appeal to fair play
5. Ask for the money
6. Constructive criticism
7. Unusual approach
8. Tie-up letter with current events
9. Sincerity
10. Concise style

"You will note that our enclosed collection letter faithfully follows points 1 to 10. The results obtained from our collection efforts, especially during these trying times have been mighty gratifying."

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, 1931

decreasing loss



Blank & Stoller



by **W. E. MALLALIEU,**
general manager
the National Board
of Fire Underwriters

In a full-page advertisement entitled "Credit—the Motive Power of Industry!" the *Boston Herald* paid its tribute to credit in 1925. "Wealth," the advertisement read, "may be dissipated—wiped out over night, but credit well established will withstand the greatest catastrophe. For credit is more a man's moral worth than his financial soundness.

"The loss of wealth is unfortunate but the loss of credit results in economic ruin. Men who would count the loss of gold as trivial would indeed despair at the loss of credit. Guard well that asset which means more in the business world than money."

Today, even to a greater extent than in 1925, the public mind could not comprehend the extent of the disaster that would befall modern industry, should our credit system fall. All the gold in the world is not equal in value to one day's credit transactions on the open market. Credit is the most valuable asset in the business world.

One of the outstanding contributions that the National Association of Credit Men has made to our economic life is the constant reiteration of the famous three C's of credit—character, capacity and capital—in an effort to establish better credit conditions. Definitely a part of the same program and of the same factors, insurance has its place, as stated in the words of a former president of the Association: "It is fundamental that credit is closely interwoven with various forms of insurance."

Rarely is a structure of any kind built with one man's money. He who borrows to build a one-story cottage, a

the public service work that has become a part of the business, the 246 stock fire insurance companies now comprising The National Board of Fire Underwriters collectively offer comprehensive and essential services that are quite distinct from the primary purpose of protecting property at a certain premium, but equally important. For over sixty years the National Board has endeavored to reduce fire losses and to improve construction. An engineering department has inspected and made recommendations to more than four hundred American cities. Undoubtedly, through this work sweeping fires have been prevented, water supplies improved and fire departments strengthened—all impor-

tant to the business man because conflagrations, when they occur, always deal a disastrous blow not only to the community involved but to financial credit and progress in general.

Closely identified with bankruptcies and commercial failures, the constant concern of credit executives, is the crime of arson. Member companies of The National Board of Fire Underwriters realize that the sooner losses are paid after they occur, the more promptly will insurance money allow the replacement of destroyed property and the consequent resumption of orderly business. On the other hand, fire losses must not be adjusted so rapidly that the conditions surrounding the suspicious fire may not be thoroughly investigated and, if the facts warrant, prosecution against the criminals started.

The National Board of Fire Underwriters has a large squad of carefully trained investigators co-operating with police and fire departments, as well as with prosecuting officials, in the detection and prosecution of arsonists. In this work business and financial men all over the United States have been of great assistance. Many chambers of

Business decreases cost

... to the buyer

(of insurance)

■ **that a slice of the melon cut be passed along to the consumer would be as novel in some industries as the famous man who bit the dog**

■ **"the average cost of stock fire insurance has declined practically every year for the past twenty in spite of the equally steady decline of the dollar's buying power"**

commerce have made co-operation in arson work a definite part of their fire prevention activities and have actively aided in ridding their communities of arson.

So closely are bankruptcies and commercial failures linked with attempts to burn property that an even closer co-operation between business organizations such as the National Association of Credit Men and the National Board would tend to eliminate the dishonest citizen who preys upon business or menaces society in general through incendiary fires.

The structure of business today has become so complex that the importance of the work of the National Board and

other organizations supported by stock fire insurance might be overlooked were it not clearly evident in the constantly declining average cost of insurance and in the consequent narrowing margin of expense in the manufacture of raw material to finished products in the hands of consumers. The average cost of stock fire insurance has declined practically every year for the past twenty, in spite of the fact that the actual buying power of the dollar has constantly changed and only a few months ago the average cost of other commodities was 60 points over the pre-war level of prices. It is significant that the low cost of fire insurance, resulting from



the fire prevention efforts of the companies, has in turn helped to reduce all prices. Consider, as an example, the manufacturer transforming raw materials into finished products. Every step in the manufacture, and later in its distribution, is dependent upon the financial protection of invested capital. Without this protection, without insurance, higher prices would be necessary at each step; a 10 per cent. charge would not be too much to cover the unprotected liability, forcing the ultimate consumer, the buyer, to pay many times more. With insurance, from raw material to finished product, high speculative charges can be omitted and prices maintained at a lower level.

Just as business is interested in the reduction of prices over a period of years, so, too, the safety of life and property is an important consideration. It would not be an extravagant statement to say that the National Board, through its recommended building code and its regulations for industries and buildings, has made America a safer place in which to live and work. The individual citizen is constantly in contact with materials and devices made safe in accordance with the standards of National Board engineers and the

(Continued on page 49)

Balance Sheets of Management

Pertinent to Manufacturing Enterprises

I. Stability of the Particular Industry

1. Is the capital investment in the production facilities of the industry reasonable?
2. Is there sign of the emergence of a strong competing industry?
3. Is there sign of the emergence of a strong competing unit or group in the industry?
4. Is there probability of a reasonable steady consumer demand for the items?
5. Are prices of the lines fairly stable?

II. Position in the Industry of the Firm Requesting Credit

1. Is the capital investment of the firm normal for the industry?
2. Are plant and equipment suitable, up-to-date and well located?
3. Is the proportion of working capital adequate?
4. Are the firm's lines kept up-to-date with respect to items, service, style and price range?
5. Is the firm realizing a reasonable share of the market?

III. Management of the Firm Requesting Credit

1. General Administration.

- a. Is there a clearly defined alignment of organization responsibilities?
- b. Does the organization provide a research and a methods unit?
- c. Is the study of tendencies in industry generally, in the particular industry, and in competing and potentially competing industries a definite responsibility of some competent individual or unit?
- d. Are the operations of the business forecasted in the form of schedules and budgets detailed with respect to monthly periods, lines and departments?
- e. Is there an effective co-ordination and control of departmental operations, in terms of the forecasting schedules and budgets, and of standard ratios of relationship between sales volume, production volume, inventories, working capital, costs, etc.?
- f. Is there a definite policy for maintenance of the skill and good-will of the workers?

2. Merchandising and Selling.

- a. Are markets and lines periodically analyzed and revised, and new marketing programs formulated?
- b. Is there a definite policy of sales promotion and advertising?
- c. Are the most suitable channels of distribution utilized?
- d. Are quotas established periodically, by territories, lines and salesmen?
- e. Is there an aggressive planning and control of the selling processes?
- f. Is a large percentage of the plant's production well distributed as to the number and types of consumers?

3. Production Management.

- a. Are plant, machines and tools continually appraised with respect to replacement or improvement to conform to the best practice in the industry?
- b. Is there a unit charged with the special and continuing responsibility of devising and maintaining the most precise and economical methods of work and control of processing, including particularly planning of operations and checking of progress and costs?
- c. Are inventories kept at the lowest point consistent with sales volume, the processing turnover and procurement?

Pertinent to Merchandising Enterprises

Wholesale, Department Store, Mail Order, Chain, Independent Retail

I. Stability of the Particular Type of Distribution

1. Is the number of establishments in the competitive area reasonable?
2. Is this particular type of distribution serving the ultimate consumer adequately or are there signs of the emergence of some other more effective type?
3. Is there sign of the emergence of a strong competing unit of the same type?
4. If the distribution is that of a single or special line is the demand for the merchandise handled likely to be permanent?
5. Are prices of major items free from violent fluctuations?

II. Position in the Type of Distribution of the Firm Requesting Credit

1. Is the capital investment of the firm normal?
2. Has the firm adequate experience in successful merchandising?
3. Are the location and character of the buildings, fixtures, and other equipment suitable and up-to-date?
4. Is the merchandise carried adequately representative of the type?
5. Are all the departments within the organization up-to-date with respect to service, styles and price range of merchandise carried?
6. Is the firm realizing a reasonable share of its market?
7. Is the buying public satisfied with merchandise sold and the service given?

III. Management of the Firm Requesting Credit

1. General Administration.

- a. Is there a clearly defined alignment of organization responsibilities?
- b. Does the organization provide for a research and a methods unit?
- c. Is some competent individual or unit responsible for study of tendencies of methods of distribution generally, of methods in the particular type of distribution, and of methods in competing and potentially competing types of distribution?
- d. Are the operations of the business forecasted in the form of schedules and budgets detailed with respect to monthly periods, lines and departments?

e. Is there an effective co-ordination and control of departmental operations, in terms of these forecasting schedules and budgets, and of standard ratios of relationship between sales volume, stocks carried, stock turnover, and costs of operations, etc.?

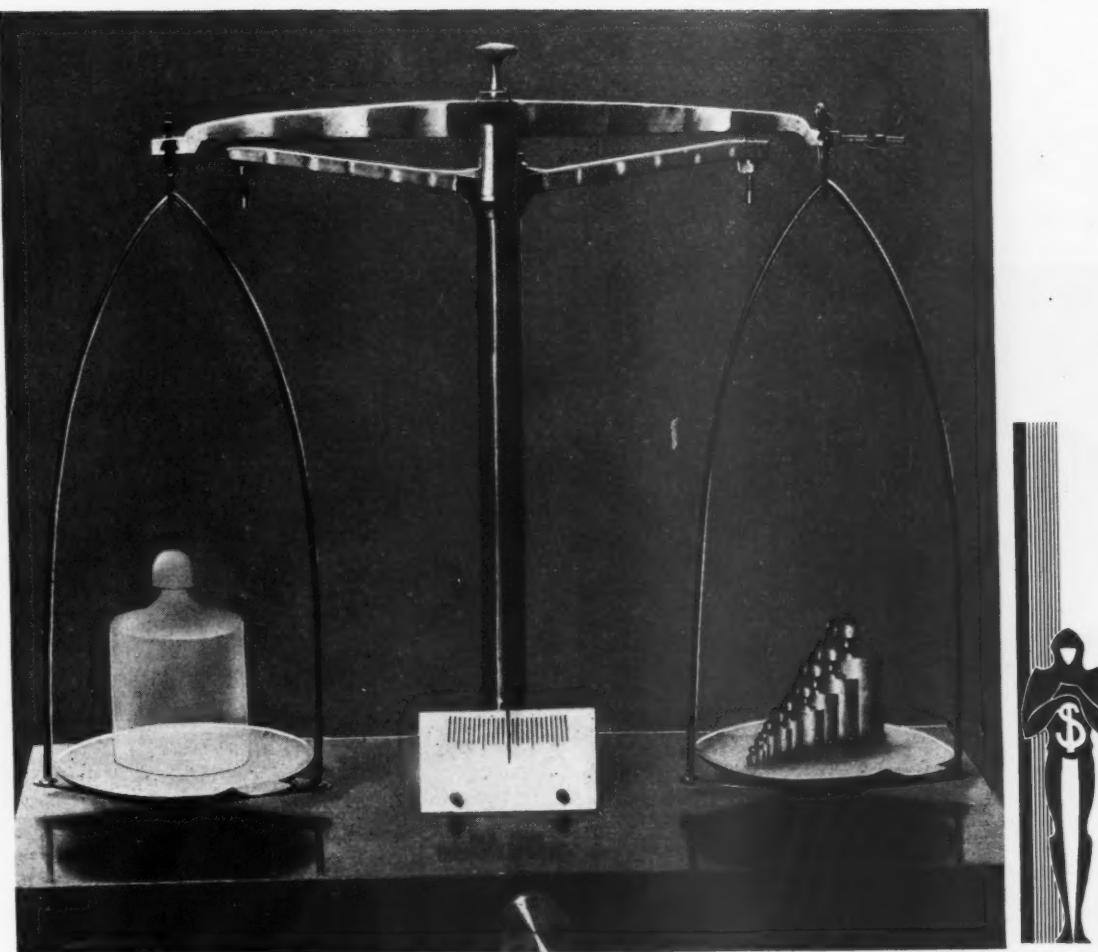
f. Is there a definite policy for maintenance of the skill and good-will of employees?

2. Merchandising, Advertising and Selling.

- a. Are sources of supply, character of consumer demand and lines of merchandise periodically analyzed and revised, and new sales programs formulated?
- b. Is there a definite co-ordinated and centralized policy of sales promotion, advertising and display of merchandise?
- c. Is there an aggressive planning and control of the selling processes?
- d. Is there definite provision for selection and training of sales people?

3. Management of Non-Selling Departments.

- a. Is there a unit charged with the special and continuing responsibility of devising and maintaining the most precise and economical methods and control of work in these departments?
- b. Is there a proper unit control, according to sales volume and turnover, of stocks on hand, balances, shortages and replacements?
- c. Is there an adequate financial control of each selling department?



the unseen weight in the balance

"credits being found unsatisfactory which on the face of financial statements promised to be good risks . . . financial statements by themselves inadequate . . . rapid change . . basic . . attention to the helm!"

by H. S. PERSON
managing director
of the Taylor Society

ALTHOUGH the Taylor Society has for years been interested in the possibility of some table setting forth the "ear-marks" of good management, it was the National Association of Credit Men which first proposed the idea of the use of statements concerning the quality of a client's management to supplement his financial statements as a basis for credit rating. The National Association of Credit Men in turn had had its attention directed to the proposition by inquiries from members, so it is the credit men themselves who started this ball rolling.

To those who addressed inquiries to the N. A. C. M. the idea must have been suggested by their own experience. Presumably credits which on the face of financial statements had promised to be good risks were being found unsatisfactory. There seems to be something in the situation now and then which

makes financial statements by themselves an inadequate basis of judgment. What is this something?

In the first place it should be observed that financial statements, as generally constructed, are records of past experience. Obviously they are safe guides to future experience only when industrial conditions and practices are fairly stable. If one has a record of the financial condition and profits and losses of a concern over a period of years, and if one believes that the period ahead is likely to present virtually identical conditions and problems of management as the period covered by the reports, then one is justified in concluding that the concern will do as competent a job so long as the same conditions govern. On the other hand, if the period covered by the financial reports terminates at a time of rapid change in conditions and problems, one is equally justified in questioning the

(Continued on page 49)

WOMAN DECIDES TO TELL ALL IN TRIAL OF "RING"

Rose Desjardins, 28, Says She Was Prevented From Quitting "Racket" By Mansours

Obstinately refusing to reveal her means of livelihood during the past three years, Rose Desjardins, 28, 28 Fletcher street, Lowell, alleged member of one of the biggest larceny rings encountered by local police in the past few years, continued her testimony for the prosecution in superior criminal court here today, in the case of Salim and James Mansour, Lowell, father and son, said to be the "brains" of the alleged larceny ring.

The DesJardins woman turned state's evidence against the Mansours at the opening of trial in the case yesterday after she and Donat Jacques, also of Lowell, had pleaded guilty to various counts of larceny and attempted larceny and a statutory charge.

a story with an O. Henry finis

THIS is an old story with a new ending—the story of an old racket with a new conclusion. The ending of this story really shouldn't be amazing at all—but it is. This story has an O. Henry surprise ending in its last paragraph, but don't read the last paragraph until you have read all the article or you won't appreciate the surprise that's in store for you.

"Believe it or not" and "Strange as it seems", the stories of the operations of commercial crooks are just as unique and interesting as many of the sensational and mystifying detective stories that even our Presidents read. This story of a commercial criminal is certainly one that the President should read, and probably will, because it is going to be sent to him.

The old racket of using the name of a reputable and rated business man as a basis for securing goods under these false pretenses has seldom been worked so brazenly and yet successfully as by the Donat Jacques of this case.

Very little is known of the antecedents and early life of Donat Jacques.

FREDERICK P. SCHMID, N.A.C.M. INVESTIGATOR

■ One of the chief reasons why the Fraud Prevention Department of the National Association of Credit Men has been so successful in bringing about the conviction of commercial criminals is that its investigating staff includes forty-nine of the best trained and most widely experienced detectives in the country. The careers and exploits of some of these men would make stories as thrilling as the raciest of detective fiction.

Frederick P. Schmid, the gentleman shown in the accompanying picture, is one of the old-timers of the department. From half a lifetime spent in trailing criminals, he has learned a lot about the underworld and its tricks—for instance, the opening of safes.

Several months ago, the United States Attorney's office in Boston had a problem on its hands. A safe, believed to contain opium, had been

seized in a raid by Federal narcotic agents at 66 Beach Street, Boston. The safe was carried to the office of the United States Attorney, and several police officers and Federal agents tried their hands at opening it. None of them was able to budge the door, and it began to look as if nitro-glycerin would have to be used.

Then somebody recalled that Schmid had a talent for such work, and he was sent for. A few tentative twirls of the knob, a few responsive clicks from the lock, and the safe was open. It was so filled with currency that two packages of bills fell to the floor as the door swung wide.

A five tael tin of opium, and about \$20,000 in gold, bills and jewelry were found in the safe. Two Chinese found on the raided premises were held, and the opium will be used as evidence against them.



It is known, however, that as a young man he worked in the Thetford Mines, Quebec, Canada. In the spring a young man's fancy turns to many things. Donat Jacques' mind shouldn't have turned to a certain particular fancy in April, 1929, for he was not a young man and had no licence to meander off into the aberration that he did.

On July 23, 1929, the National Jewelers' Board of Trade reported to the Fraud Prevention Department of the National Association of Credit Men that, on or about April 1, 1929 a man giving his name as J. H. Jacques, began circularizing certain manufacturers in the jewelry business requesting goods on memo. In so doing he used a regular printed letterhead which gave the address as 72 Emerson Street, Haverhill, Massachusetts.

Now, for many years Joseph H. Jacques has been engaged in the retail jewelry business at Haverhill, Massachusetts, but his address is 17 Essex Street. He has an excellent reputation in the jewelry trade and is given a rating of first class credit by the agency books. As the agency books do not give the street address of Joseph H. Jacques the manufacturers whom Donat Jacques, alias J. H. Jacques wrote to, shipped him goods under the mistaken impression that they were dealing with Joseph H. Jacques the well established and reputable jeweler of Haverhill. For example, one Chicago company that had sent J. H. Jacques their catalogue at his request, shipped him an order of mountings. The receipt of these mountings was promptly acknowledged by Jacques who naturally expressed his hearty approval of the goods, and inquired if stones could be furnished to fit the mountings. Still assuming that they were dealing with Joseph H.

Jacques this company sent the diamonds requested and in all forwarded about \$2,100 worth of merchandise to the fraudulent Jacques. When the Chicago company received still another order for more jewelry, an inquiry for a report was sent to the National Jewelers' Board of Trade. It was immediately discovered that Joseph H. Jacques was at 17 Essex Street, while J. H. Jacques was receiving goods at 72 Emerson Street. As soon as additional facts were procured it seemed evident that the name J. H. Jacques was assumed for the sole purpose of obtaining jewelry from companies who supposed they were dealing with Joseph H. Jacques. The National Jewelers' Board of Trade immediately made a formal request for investigation to the Fraud Prevention Department of the National Association of Credit Men.

This case was immediately assigned to Frederick P. Schmid, the Fraud Prevention Department investigator with headquarters in Boston. Investigator Schmid went to Haverhill and dug up many significant facts about the operation of Donat Jacques under the name of J. H. Jacques.

The business establishment at 72 Emerson Street was found to be a one room affair about 10 x 12 feet and part of the residence at 70 Emerson Street, with a separate door leading to the street. This room had been a doctor's office for many years, but about April 1, 1929, "Joe" Jacques and his wife hired this room for living quarters. The landlady at 70 Emerson Street, said she was under the impression that Jacques was a jewelry salesman. He and his wife continued to live here until the latter part of May, 1929, and then without notice "skipped out" owing the landlady a week's rent. The landlady told Investigator Schmid that Jacques and

his wife kept entirely to themselves and seemed to have no friends or acquaintances in Haverhill.

The investigation disclosed that Jacques and his wife must have been a rather peculiar looking couple. Jacques weighed about 150 pounds, had a dark smooth face and spoke with a typical French Canadian dialect. "Mrs. Jacques" was described as, "A big boned woman, about thirty years old, weighing 170 pounds, with a round face and Chinese eyes."

So after fleecing jewelers all over the country with his fake name stunt and his fraudulent use of the mails, J. H. Jacques and his wife disappeared. The case was presented to the Federal Grand Jury and an indictment was returned against Jacques for using the mails in a scheme to defraud. Investigator Schmid worked very closely with the Assistant United States Attorney at Boston, Mr. John J. Walsh, Jr.

And now our story takes on a new twist. As Jacques had left the United States for Canada, he could not be apprehended. For a good many months nothing more was heard of him. Then on November 12, 1930, Wilson Brothers of Chicago, made a formal request for investigation through the Fraud Department on F. T. Therrien of Lawrence, Massachusetts. Wilson Brothers received a letter from this F. T. Therrien, 211 Essex Street, Lawrence, Massachusetts, asking for samples. The company referred this letter to its salesman who called in Lawrence, but was unable to find F. T. Therrien at the address given. However, he knew that a merchant at 159 Broadway, Lawrence, Massachusetts, was named Mr. Fred T.

(Continued on page 51)

Donat Jacques

Rose Desjardin

Selem Mansour



the right
ending
in the
right place

Nation-Wide Collection and Sales Conditions

WHAT THEY ARE AT PRESENT

THE OUTLOOK FOR THE NEAR FUTURE

CREDIT MONTHLY offers its twelfth monthly survey of Collections and Sales Conditions. This survey is based upon reports from 128 cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and

■ This is the twelfth monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit Monthly.

"Are they paying?", are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so

that you may see at a glance how conditions are reported in various cities in each State. You may also see at a glance what cities report a condition of "Good, Fair and Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to **CREDIT MONTHLY**. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

COLLECTIONS

SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Alabama	Montgomery			Slow		Fair	
Arizona	Phoenix			Slow		Fair	
Arkansas	Fort Smith			Slow			Slow
California	Little Rock		Fair			Fair	
	Los Angeles		Fair				
	Oakland			Slow			
	San Diego		Fair				
	San Francisco		Fair				
Colorado	Denver		Fair				
	Pueblo		Fair				
Connecticut	Bridgeport		Fair				
	Hartford		Fair				
	New Haven		Fair				
	Waterbury		Fair	Slow			
Dis't of Columbia	Washington		Fair			Fair	
Florida	Miami		Fair			Fair	
	Tampa						
Georgia	Atlanta		Fair	Slow		Fair	
	Macon						
Idaho	Boise			Slow			Slow
Illinois	Chicago			Slow			Slow
	Galesburg			Slow			Slow
	Peoria			Slow			Slow
	Quincy			Slow			Slow
	Rockford			Slow			Slow
Indiana	Springfield		Fair			Fair	
	Evansville		Fair			Fair	
	Fort Wayne		Fair			Fair	
	Indianapolis			Slow			Slow
	South Bend			Slow			Slow
	Terre Haute			Slow			Slow
Iowa	Burlington			Slow			Slow
	Cedar Rapids		Fair			Fair	
	Davenport		Fair			Fair	
	Des Moines		Fair			Fair	
	Ottumwa		Fair				
	Sioux City		Fair			Fair	
	Waterloo		Fair			Fair	
Kansas	Wichita			Slow			Slow
Kentucky	Lexington		Fair			Fair	
	Louisville		Fair			Fair	
Louisiana	New Orleans		Fair			Fair	
	Shreveport			Slow			Slow
Maryland	Baltimore		Fair				
Massachusetts	Boston		Fair				Slow
	Springfield		Fair				Slow
	Worcester		Fair				

State	City	COLLECTIONS			SALES		
		Good	Fair	Slow	Good	Fair	Slow
Michigan	Detroit			Slow			Slow
	Flint			Slow			Slow
	Grand Rapids		Fair			Fair	
	Jackson			Slow		Fair	
	Kalamazoo		Fair			Fair	
	Lansing			Slow		Fair	
	Saginaw			Slow		Fair	
Minnesota	Duluth			Slow		Fair	Slow
	Minnesota			Slow		Fair	Slow
	St. Paul		Fair	Slow		Fair	
Missouri	Kansas City			Slow		Fair	
	St. Joseph			Slow		Fair	
	St. Louis			Slow		Fair	
Montana	Billings			Slow		Fair	
	Great Falls			Slow		Fair	
	Helena			Slow		Fair	
Nebraska	Lincoln		Fair	Slow		Fair	
	Omaha					Fair	
New Jersey	Newark		Fair			Fair	
New York	Albany		Fair			Fair	
	Binghamton		Fair			Fair	
	Buffalo		Fair			Fair	
	Elmira		Fair			Fair	
	New York City		Fair			Fair	
	Rochester		Fair			Fair	
	Syracuse		Fair			Fair	
	Utica		Fair			Fair	
North Carolina	Charlotte		Fair			Fair	
North Dakota	Fargo		Fair			Fair	
Ohio	Grand Forks		Fair			Fair	
	Cincinnati		Fair			Fair	
	Cleveland		Fair			Fair	
	Columbus		Fair			Fair	
	Dayton		Fair			Fair	
	Toledo		Fair			Fair	
Oklahoma	Youngstown		Fair			Fair	
Oregon	Oklahoma City		Fair			Fair	
Pennsylvania	Portland		Fair			Fair	
	Allentown		Fair			Fair	
	Altoona		Fair			Fair	
	Johnstown		Fair			Fair	
	Newcastle		Fair			Fair	
	Philadelphia		Fair			Fair	
	Pittsburgh		Fair			Fair	
	Reading		Fair			Fair	
	Scranton		Fair			Fair	
	Uniontown		Fair			Fair	
	Wilkes-Barre		Fair			Fair	
Rhode Island	Providence		Fair			Fair	
South Dakota	Sioux Falls			Slow			Slow
Tennessee	Chattanooga			Slow			Slow
	Knoxville		Fair	Slow		Fair	
	Memphis			Slow		Fair	
	Nashville		Fair	Slow		Fair	
Texas	Austin		Fair			Fair	
	Dallas		Fair			Fair	
	El Paso		Fair			Fair	
	Ft. Worth		Fair			Fair	
	Houston		Fair			Fair	
	San Antonio		Fair			Fair	
	Wichita Falls		Fair			Fair	
Utah	Salt Lake City		Fair			Fair	
Virginia	Bristol		Fair			Fair	
	Lynchburg		Fair			Fair	
	Norfolk		Fair			Fair	
	Richmond		Fair			Fair	
	Roanoke		Fair		Slow	Fair	Slow

COLLECTIONS

State	City	Good	Fair	Slow	Good	Fair	Slow
Washington	Bellingham			Slow		Fair	
	Seattle		Fair			Fair	Slow
	Spokane		Fair			Fair	
West Virginia	Tacoma		Fair			Fair	
	Bluefield			Slow		Fair	
	Charleston		Fair			Fair	
	Clarksburg		Fair			Fair	
	Huntington			Slow		Fair	
	Parkersburg		Fair			Fair	Slow
Wisconsin	Wheeling			Slow			Slow
	Williamson			Slow			Slow
	Fond du Lac			Slow		Fair	
	Green Bay			Slow		Fair	
Ter. of Hawaii	Milwaukee		Fair			Slow	
	Oshkosh		Fair			Slow	
	Honolulu			Slow		Fair	

■ ■ COMMENTS ON COLLECTIONS AND SALES CONDITIONS ■ ■

ARIZONA: General conditions have not greatly improved, in fact collections have declined to their January rating of "slow." Sales have climbed to "fair" but a seasonal drop in both collections and sales is foreseen.

KANSAS: Collections and sales in Kansas have dropped to "slow." The wheat, oil and cattle prices are very low.

LOUISIANA: Collections and sales in New Orleans continue at "Fair." Good accounts are paying promptly, but slow accounts seem to be getting slower. Sales tonnage keeping up in comparison with last year. Difference in sales due principally to lower values. The following report comes from Shreveport: "The oil boom in Gregg and Rusk counties, Texas, is naturally having its effect upon conditions in that section and even here in Shreveport from which point a large portion of the supplies for the field is sold. There is no question but that the field is a good one and it covers a large area. The bringing in of this new field seems to have inspired the oil industry in this section and quite a lot of prospecting and development is going on.

The price of oil is still unsatisfactory but everybody is hoping for better times. In the other parts of this section things are not so favorable but we believe we can see signs of recovery.

Most people are beginning to realize that hard work and less 'calamity howling' is the surest and quickest way to recovery. Most of us will make the cheapest crop or rather make our crop with the least expense that we can recall."

CHANGES SINCE LAST MONTH

State	City	Collections	Sales
Alabama	Montgomery	Fair to Slow	Slow to Fair
California	Los Angeles	Good to Fair	Fair to Slow
Connecticut	Oakland	Fair to Slow	Fair to Slow
	New Haven		Fair to Good
	Waterbury		Fair to Slow
Florida	Miami	Fair to Good	Slow to Fair
Georgia	Atlanta	Fair to Slow	Fair to Slow
Illinois	Macon	Fair to Slow	Fair to Slow
	Galesburg		Fair to Slow
	Peoria		Fair to Slow
Indiana	Evansville	Fair to Slow	Slow to Fair
	Indianapolis		Slow to Fair
	South Bend		Fair to Slow
	Burlington		Fair to Slow
	Cedar Rapids		Good to Fair
Iowa	Ottumwa		Fair to Good
	Wichita		Fair to Slow
Kansas	Boston		Fair to Slow
Massachusetts	Springfield		Fair to Slow
Michigan	Jackson	Fair to Slow	Slow to Fair
	Lansing		Fair to Slow
Minnesota	Duluth	Good to Slow	Fair to Slow
	Minneapolis		Slow to Fair
Missouri	St. Joseph	Fair to Slow	Fair to Slow
Montana	Billings	Fair to Slow	Fair to Slow
	Helena		Fair to Slow
Nebraska	Lincoln	Good to Fair	
North Dakota	Fargo	Slow to Fair	Slow to Fair
	Grand Forks		Fair to Slow
Ohio	Columbus	Fair to Slow	Slow to Fair
	Dayton		Fair to Slow
	Youngstown		Slow to Fair
Pennsylvania	Allentown	Slow to Fair	Fair to Slow
	Johnstown		Slow to Fair
	Scranton		Fair to Slow
South Dakota	Sioux Falls	Fair to Slow	Slow to Fair
Tennessee	Memphis	Fair to Slow	
Texas	Austin	Good to Fair	
	El Paso	Fair to Slow	Fair to Slow
	Fort Worth		Fair to Slow
Utah	Salt Lake City	Slow to Fair	
Virginia	Bristol	Good to Fair	Fair to Slow
	Roanoke		Slow to Fair
Washington	Bellingham	Fair to Slow	

NEBRASKA: Although the rating for this state runs between "Fair" and "Slow," there are no particularly noticeable hardships or difficulties. The various trades and industries are usually quiet at this time of the year, but owing to the mildness of the weather, road contractors are preparing to begin their operations and as a result, orders already have been placed and are now being delivered for equipment.

OHIO: Conditions throughout the state of Ohio have not improved to any great extent, the ratings still running from "Slow" to "Fair." Many of the large manufacturing concerns in Dayton have made cuts. Toledo, Youngstown and Cincinnati report a slight improvement in collections and sales in all lines.

TENNESSEE: Business is beginning to show some improvement throughout Knoxville
(Cont. on page 54)

"Changing Conversation into Conservation"



© Ewing Galloway

The Flying Squadron and Economic Credit Council

A REFERENCE to page 29 of the October CREDIT MONTHLY will give you the full story of the organization and the purpose of the Flying Squadron and Economic Credit Council, which has been instituted to set in motion definite movements against credit waste and inefficiency. Every member of the Squadron and Council who brings a new member into the N. A. C. M. "wins his wings." The members of this Council, through their enlistment, show a breadth of vision in cooperating in this important work and evidence a fine spirit and heartfelt interest in relation to the work the Council is dedicated to perform.

There are to date approximately 1,000 members enrolled in the Squadron and Council. The names of those who enlisted since the last publication of the list are given below:

WINGS THAT ARE WON

Members of the Flying Squadron and Economic Credit Council who have won their wings now total 123.

T. B. Hendrick, Collins-Dietz Morris Co., Oklahoma City, Okla.
 C. R. Horch, The Pacific National Bank, Seattle, Wash.
 E. Pilsbury, B. Rosenberg & Sons, New Orleans, La.
 John H. Cooper, Northwest Airways, Inc., St. Paul, Minn.
 W. B. Whitney, Red Band Co., Inc., Johnson City, Tenn.
 W. J. Algiers, Transcontinental Oil Co., Tulsa, Okla.
 W. S. Gruber, Imperial Candy Co., Seattle, Wash.
 E. B. Odenkirk, Medusa Portland Cement Co., Cleveland, Ohio.
 A. B. Dod, Owens Bottle Co., New York City, N. Y.
 Owen S. Dibbern, Manager, Western Division, N. A. C. M., San Francisco, Calif.
 E. Balesier, Jr., Director, Credit Group Dept., N. A. C. M., New York City, N. Y.
 P. E. Niesz, Matchett-Macklem Co., Seattle, Wash.
 D. M. Robinson, California Spray-Chemical Co., Berkeley, Calif.
 Bert Evans, Morris Grocery Co., Clarksburg, W. Va.
 P. M. Haight, International General Electric Co., Inc., New York City, N. Y.
 Samuel Ardon, Jr., Manager, Eastern Division, N. A. C. M., New York City, N. Y.
 A. C. Slusher, Northern Grocery Co., Bellingham, Wash.
 E. A. Krueger, Columbus Mining Co., Chicago, Ill.
 W. E. Freeland, Printing Products Corp., Chicago, Ill.
 Frank H. Wheat, Federal Match Sales Corp., Chicago, Ill.
 P. J. Silberstorff, General Cigar Co., Inc., Chicago, Ill.
 Miss Rose C. Schackmann, Chas. Scribner's Sons, Chicago, Ill.
 H. G. Haarz, Chas. H. Besley & Co., Chicago, Ill.
 James S. Cox, W. C. Ritchie & Co., Chicago, Ill.
 Henry W. Clausen, The C. D. Osborn Co., Chicago, Ill.
 H. W. Taylor, Tacoma Grain Co., Tacoma, Wash.
 Stephen I. Miller, Executive Manager, N. A. C. M., New York City, N. Y.
 T. W. Peck, Kalamazoo Vegetable Parchment Co., Kalamazoo, Mich.
 G. M. Groves, Groves Shoe Co., Chicago, Ill.
 Wm. E. Hakenholz, U. S. Oil Works, Omaha, Neb.
 K. R. Hankinson, Tide Water Oil Co., New York City, N. Y.
 F. G. Hanson, Hanson-Boyden Company, Superior, Wis.
 J. W. Happel, Security National Bank, St. Louis, Mo.
 W. Q. Harrel, Federal Chemical Co., Louisville, Ky.
 A. C. Harragin, Lone Star Cement Co., New Orleans, La.
 G. J. Hemingway, C. A. Roberts Co., Chicago, Ill.
 C. S. Hester, The Macey Co., Grand Rapids, Mich.
 Miss Lydia Hollander, Ira Parker & Sons Co., Oshkosh, Wis.
 S. C. Hookstratten, Arctic Ice Cream Co., St. Louis, Mo.
 L. B. Howe, Western Massachusetts Bank & Trust Co., Springfield, Mass.
 Clair L. Huse, The Meriden Grain & Coal Co., Meriden, Conn.
 H. G. Ihssen, Hubbs & Howe Co., Cleveland, Ohio.
 R. P. Ingmundson, The Automotive Supply Co., Minneapolis, Minn.
 C. A. Jenson, Louisville Paper Co., Louisville, Ky.
 G. A. Junc, McKesson-More & Porterfield, Sioux City, Iowa.
 M. J. Kavanaugh, Walter Booth Shoe Co., Milwaukee, Wis.
 Miss O. M. Koch, Britt Printing & Publishing Co., St. Louis, Mo.
 N. Laird, Ransome Concrete Machinery Co., Duncellen, N. J.
 W. O. Lange, McKesson-Churchill Drug Co., Burlington, Iowa.
 F. N. Large, The Esterbrook Steel Pen Mfg. Co., Camden, N. J.
 Herbert Leich, Charles Leich & Co., Evansville, Ind.
 Miss Alma V. Leupold, The Richmond Co., Oshkosh, Wis.
 Arthur J. McCartney, Hudson Valley Paper Co., Inc., Albany, N. Y.
 G. W. McCleary, Fargo Mill Co., Fargo, N. D.
 E. McGowan, The City Trust & Savings Bank, Youngstown, Ohio.
 J. W. McGuire, Truscon Steel Co., Youngstown, Ohio.
 J. E. Manning, F. B. Connelly Co., Billings, Mont.
 S. H. Marcus, Armour & Co., Montgomery, Ala.
 J. V. Marron, The Yale & Towne Mfg. Co., Stamford, Conn.
 L. H. Martin, Martin Bros. Co., LaCrosse, Wis.
 J. E. Mayfield, First National Bank & Trust Co., Flint, Mich.
 Ernest S. Meyer, Levy Shoe Company, Montgomery, Ala.
 F. R. Mitchell, Georgia Power Co., Atlanta, Ga.
 H. J. Offer, The Detroit Edison Co., Detroit, Mich.
 J. C. Oom, The Tisch-Hine Co., Grand Rapids, Mich.
 Miss L. M. Palardy, Kessabey & Mattison Co., Minneapolis, Minn.
 C. W. Pierce, Keys Planing Mill Co., Blafield, Va.
 P. R. Puckett, Aalfs Paint & Glass Co., Sioux City, Iowa.
 George P. Reinberg, The Menner Co., Newark, N. J.
 H. H. Richardson, The Spencer Turbine Co., Hartford, Conn.
 M. M. Salaun, Marine Paint & Varnish Co., Inc., New Orleans, La.
 A. F. Sander, The John Blaul's Sons Co., Cedar Rapids, Iowa.
 A. L. Sause, Crane Co., St. Paul, Minn.
 O. C. Schroeder, Ideal Pure Milk Co., Evansville, Ind.
 Frank N. Scott, R. D. Burnett Cigar Co., Inc., Birmingham, Ala.
 Robert D. Scott, Chemical Bank & Trust Co., New York City, N. Y.
 F. P. H. Siddons, American Security & Trust Co., Washington, D. C.
 H. D. Smith, Kansas Gas & Electric Co., Wichita, Kan.
 C. W. Stewart, Allen & Wheeler Co., Troy, Ohio.
 R. L. Smith, Pyrene Mfg. Co., Newark, N. J.
 Clifford Stipp, Hood Rubber Products Co., Des Moines, Iowa.
 W. K. Swenson, W. A. Sheaffer Pen Co., San Francisco, Calif.

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Burly and Hurley

(Continued from page 10)

several of our large corporations put together. The soldier must be provided with proper and sufficient food. He must be well clothed. He must be provided with the proper training facilities, the most modern weapons, and adequate shelter, both in garrison and in the field. He takes up a lot of our time. And when the test comes he justifies every moment of it. The War Department has to look out for the schooling of officers, construction and engineering programs, health campaigns and the conduct of scientific research. It has a score of other activities on its hands, but I have no time to describe their magnitude and importance. One million dollars' worth of business goes over my desk every day, and although I hate red tape, I dislike carelessness even more. So I am insistent that those around here who look after this business and spend the money do it carefully and to some purpose."

"Mr. Secretary," I interrogated at this point, "hasn't the War Department been criticized for unnecessary and undue delay in the handling of controversial matters?"

"What about the modification of established harbor lines along the Hudson River at the Port of New York?" he answered. "This was a controversial problem. Its solution had been hanging fire for about 25 years but not because the War Department had not been amenable to reason. The New Jersey and New York authorities had never been able to agree on the length of piers and at the same time maintain the channel fairway which would allow the cities of New York and Jersey City to accommodate trans-atlantic liners of the 1,000 foot class. Because the War Department exercises jurisdiction over the work on rivers, harbors and waterways, the impression got abroad that it was the Department which was delaying the necessary modifications of the Harbor line. The original harbor lines in this area were approved in 1890 and in 1897 approval was given for advancing the pier headlines on both sides of the river. Since that time applications had been made to extend the pierheads further into the river. These were denied in each instance because the plans did not leave room between the pierhead of Jersey on the one side and Manhattan on the other to handle the traffic. After hearing much criticism of the War Department over the impasse between New York City and Jersey City, I got in

touch with the Mayor of New York and told him that I wanted to come up and go over the question thoroughly with all concerned. Mayor Walker thought that a good idea and in March, 1930, I inspected the harbor lines with representative officials from New York and New Jersey. We examined the lay of the land from the banks of the river and later from the deck of a tug and then we went into a huddle to try to reach a satisfactory solution. By mutual concession on the parts of the representatives of New York City and New Jersey we worked out a fairway which will provide a width varying from 2,800 to 3,500 feet throughout the length of the harbor affected. The modifications were approved by the War Department and will enable the cities of New York and Jersey City to erect piers capable of accommodating trans-atlantic liners of the 1,000 foot class. I understand that these piers and related construction will entail an expenditure totalling 75 million dollars. Instead of delaying the possibilities of this improved construction, the War Department actually hastened it by cutting the Gordian knot of misunderstanding that had tied the hands of those who wanted to push the project to completion. I found the New York City and Jersey City authorities more than willing to listen to reason and make the necessary concessions. There was nothing antagonistic in their attitude, and no unfairness in their respective demands."

"How about all these bridge decisions that you have to make, Mr. Secretary?" I asked.

"The great number of permits which the War Department has issued for the erection of bridges during the past two years throws an interesting side-light on the development of our highway and railroad transportation. Of course the erection of any one of these bridges brings forward questions that require the exercise of care and good judgment in their answers, but a bridge is an interesting thing, and an essential link in our social and economic development. Most of them are beautiful examples of man's creative genius and I like to study their plans and debate the question of their practicability and usefulness in each instance. Since my appointment I have approved plans for some particularly interesting projects, such as the bridge across the Mississippi at New Orleans, generally known as the Hero-Hackett Bridge; the bridge of the New Orleans Public Belt Railroad Commission which crosses the Mississippi just

above New Orleans; and the great bridge which will cross the Golden Gate at San Francisco. That will be a glorious example of artistic conception and engineering skill, and will have the longest single span of any bridge in the world. It will have an unusually high clearance to meet the requirements of commercial and naval vessels entering the great harbor of San Francisco. You know the Navy likes to run in and out of the Golden Gate and we had to make sure that we weren't going to lose a flock of basket masts every time the sailors wanted to see Market Street."

There was a moment's pause and I thought I would shoot another question home:

"Although you have mentioned some of the manifold activities of the War Department, Mr. Secretary, I would still like to ask the question I had in mind when I sought this interview. It is this: What does the Army do when it isn't fighting?"

Mr. Hurley looked at his watch.

"I cannot take the time to review the Army's record of peace-time accomplishment but I'll hit some of the high spots. Of course you realize that it was largely through the Army's efforts that we acquired, and still retain, our territory and our government. Not only in war, but in peace as well, the Army's work has had far-reaching effect on the expansion of our civilization and the development of our natural resources. It governed all of our unorganized territories and organized most of them. The great Northwest was opened up by two Regular Army officers, Lewis and Clark, whose little force was composed of enlisted men of the Regular Army. All of their difficult work of exploration was conducted under the direction of the War Department. Pike's Peak is a noble monument to another Regular Army Officer, Zebulon Pike, who explored the headwaters of the Mississippi and the rugged territory about the mountain which commemorates his name. The Army constructed our early trails, roads, canals and bridges. It planned, surveyed, and, in some cases, managed our first railroads such as the Baltimore and Ohio; the Northern Central; the Erie; the Boston and Providence; the New York, New Haven and Hartford; and the Boston and Albany. It later assisted in the work of location and construction of our trans-continental roads and the first telegraph lines across the country."

"The old Cumberland Pike, running from Cumberland, Maryland, to St.

(Continued on page 36)

Burroughs



One of many models especially designed for food stores, cafeterias, etc., that desire a detailed list of each customer's purchases and also a grand sales total.

NEW CASH MACHINES

FASTER . . . SAFER . . . AND LOW IN PRICE

Retailers in every line are benefiting by the greater speed, ease of operation and absolute protection that Burroughs Cash Machines bring to the registering, recording and safeguarding of all transactions.

There is a Burroughs Cash Machine to meet the individual requirements of any type of business, in any color to harmonize with surroundings,

and at a price surprisingly low for all models.

The flexibility of these new machines . . . their sturdiness and durability . . . their space-saving compactness . . . their smart, up-to-date appearance . . . their adaptability to all kinds of figuring work . . . are winning acceptance everywhere.

Call the local Burroughs office for a demonstration, or for descriptions, prices, and easy terms.



One of many styles designed for stores where single item sales are the rule, such as drug stores, bee stores, hardware stores, etc.

IMPORTANT ADVANTAGES—Every sale printed and recorded . . . locked-in totals under owner's control . . . totals of quantities as well as amounts . . . separate totals of cash sales and charge sales . . . detail tape . . . enforced identification of clerks . . . self-correcting keyboard . . . each key set at the same angle, has a short stroke and light, uniform, easy key depression . . . validates paid-outs or sales tickets . . . descriptive keys . . . totals each customer's purchases, furnishes detailed receipt . . . hand or electric models . . . requires minimum counter space.

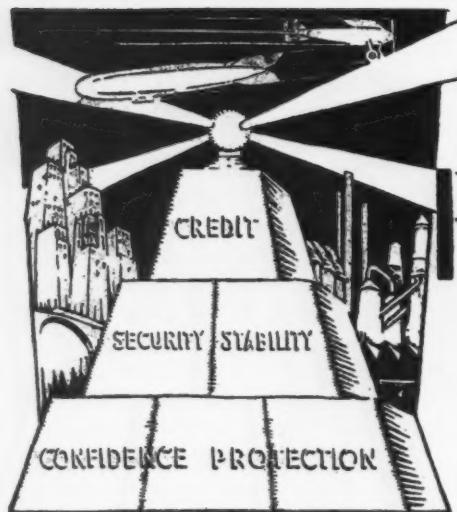
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MARCH, 1931

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INSURANCE DIGEST

Family Liability Policy

A new and comprehensive insurance contract known as the "Premier Family Liability and Loss Policy" has recently been issued by the Travelers Indemnity Company. It covers all the hazards arising from the maintenance of a home and includes twelve separate coverages.

Under the first six points of the new policy, provision is made for protection in connection with the legal liability of the policyholder, including both bodily injury and property damage. The insurance extends to the policyholders' liability resulting from accidents in and around the home; the liability arising from the use of dogs or saddle or private driving horses; the liability resulting from accidents while the policyholder is taking part in sports or any personal activities; the personal liability of minor children between the ages of 16 and 21, and voluntary reimbursement of household servants who are not subject to the workmen's compensation law, for injuries sustained in the course of their employment.

Under the last six points of the contract, property of the policyholder may be guarded against burglary, robbery, theft, larceny and personal holdup. Insurance is also provided against loss or damage of securities in safe deposit boxes, glass breakage, water and other damage including plumbing repairs, and damage from aircraft, automobiles and other vehicles.

Life Insurance is Privileged Property

How many credit executives realize that life insurance is privileged property in the eyes of the law? How many are aware of the resultant advantages they enjoy as holders of life insurance? Mr.

Denis B. Maduro, attorney of the Life Underwriters Association of New York has defined these advantages as follows:

The amount of the policy is guaranteed: it is not subject to the numerous possible kinds of charges, deductions fees, etc. Also, the guarantee that the policyholder shall participate in the distribution of surplus earnings; when proceeds are left with the company, there is a guarantee of a minimum rate of interest earned on such sums; the guarantee of the performance of the contract (very important from the legal angle) for after the two year contestable period, the contract is incontestable for any reason other than fraud and no third party can come in and set aside the contract as might be done in the case of a trust. Another privilege of the greatest importance is that the proceeds are exempt from claims of creditors when the beneficiary is other than the insured; the proceeds are exempt from taxation to a considerable extent both as to federal and state taxes; there is a guarantee of the proper conduct of the insurance business through the supervision of companies and agents by the state; there is no discrimination—each person of the same class and expectation of life can get the same privileges under insurance; the guarantee that there will be the payment of the policy on a stated day and to the person named in the policy; finally the cash surrender guarantee.

Life Insurance---A Good Form of Savings, Says Governor Roosevelt

In a radio address made as a part of the recent National Thrift Week Pro-

As the credit executive is in closer contact with the insurance field than any other business man excepting the insurance man himself, the Insurance Digest has been inaugurated to fill the need of the credit fraternity for insurance news and information.

gram, Governor Roosevelt of New York made an extremely keen analysis of life insurance as a form of forced savings.

He said in part: "Saving is an act of self-denial that is always in competition with the pleasure to be had from spending the money. . . . A well-known authority says the three essentials to a successful savings plan are, a regular amount to be deposited, on a regular day, and for a specific and approved purpose. The habit of saving is more essential to success than the will to save."

"A contract that is a fulfillment of a social obligation of rather public knowledge—that requires the deposit of a fixed sum at a fixed date—that cannot be surrendered without both a financial forfeiture and a confession of the evasion of a responsibility—provides the needed fixity of purpose; the maximum possible measure; the proper duration of time; the gentle, but constant pressure; and the assisting devices to establish the habit of thrift, not as a passing episode but as a mode of living."

"To those in the accumulation era, investments are still interests of the future. Their problems are still those of creation and retention. But, with an eye to the future, life insurance offers them an absolutely certain return at maturity of the funds deposited, and a known amount of addition to the deposits. It offers a diversification of underlying securities for every single dollar, such as no small investor can possibly secure otherwise; and diversification is, in itself, a security. It offers him all the advantages of an investment trust. It eliminates the necessity of personal management."

BLIND FAITH



MANY a keen, hard headed business man—who would not think of signing a contract without full knowledge of its terms or enter a business deal without careful investigation—will buy insurance without so much as a glance at his policy. Such blind faith is flattering but nevertheless places a heavy responsibility upon the

insurance fraternity. Only through constant study of your business and that of your client plus the use of reliable insurance companies may this faith be continued and deserved. For over eighty years the Glens Falls Insurance Company has kept faith with the buying public and its affiliated companies have followed this leadership.



NEW YORK BRANCH OFFICE
84 WILLIAM STREET



CHICAGO BRANCH OFFICE
175 WEST JACKSON BOULEVARD



SAN FRANCISCO BRANCH OFFICE
354 PINE STREET



INDEMNITY COMPANY
Glens Falls, New York

Burly and Hurley

(Continued from page 32)

Louis, Missouri, and the most effective factor in the opening up of the Middle West, was built by the Army.

"Army engineers surveyed and marked virtually every mile of the boundary of the United States and most of the State boundaries. They also improved, and continue to improve, our rivers and harbors, and erected our first light-houses. The old channel of Boston Harbor had a depth of 18 feet. The Army engineers increased the depth of this important waterway to 35 feet and widened it from 100 to 1,200 feet. Similar work has been carried on by them in all harbors and navigable streams in the United States. They supervised the construction of the outstanding buildings in our National Capitol. I wonder how many of our people know that the Army engineers constructed some of our finest pieces of architecture, including the Library of Congress, the Agriculture Building, the War College, the Government Printing Office and the beautiful Lincoln Memorial. They also erected the towering Washington Monument, unique among the monuments of the world.

"The improvement of rivers and harbors and the control of floods has been a function of the War Department, exercised through the Corps of Engineers, for over a century. This work has entailed the expenditure of one and a half billions of dollars. Half a billion has been spent on the improvement of salt-water ports and harbors, over \$150,000,000 on the Great Lakes, and \$700,000,000 on inland waterways. During these 'idle days of peace' the current work of the Army engineers includes the creation and maintenance of channels in some 125 salt water ports on our Atlantic, Gulf and Pacific coasts, and in some 70 ports on the Great Lakes. In addition to this they are handling 300 odd projects for the development of rivers and other inland waterways.

"The digging of the Panama Canal, together with the invaluable administrative work in the Canal Zone was, after others had failed, achieved by the Army Engineers under the direction of Colonel George R. Goethals. The Army Engineers now operate the Canal at a profit to the Government.

"Year after year the Army Air Service continues to map great swamp regions and inaccessible mountain ranges and other impassable sections of our Western country, turning over its data

to the United States Geologic Survey. This work requires the highest degree of technical skill and these Army fliers are producing maps much clearer, accurate and more graphic than could possibly be made by the most expert surveyors and draftsmen with transit and level. At the same time Army fliers carry on experiments for the Weather Bureau in determining temperatures and air currents and atmospheric conditions at varying altitudes. And by the way, do you know that the Weather Bureau and the Light-house Service were organized and operated by the Army before they were taken over by civilian agencies?

"The Army first flew the Air Mail. At first, too, the only aviation schools in the country were maintained by the Army and Navy.

"The chemical Warfare Service is co-operating with the Department of Agriculture and the Air Service in experiments in an endeavor to exterminate the boll weevil and other insect pests. These destroyers cause enormous losses to the country annually, but they are gradually being exterminated by spraying the fields and orchards with poisonous powders and the use of other methods developed by the Chemical Warfare Service. This Service is also co-operating with the Navy Department in the development of compounds which will prevent the collection of barnacles on ship bottoms, and with the Navy Department and the Department of Commerce in the search for compounds which will control the destructive action of teredo and linnoria on piling and other wooden construction in sea water.

"The Army is continually at work assisting inventors and scientists in their efforts to enrich our everyday peace-time life. Their work includes experiments and developments in metallurgy, electricity, radio, aviation, chemistry and medicine. You might say that the Army is more scientist than soldier in peace time.

"I wish I could take all the people of this country to see the tremendous work the Engineer Corps is doing in connecting the Great Lakes with the Mississippi River to the Gulf of Mexico. Yet this vast project is just a part of their program for the coordinated development of 9,000 miles of navigable inland waterways. The transportation facilities on these waterways are conducted by the War Department through the agency of the Inland Waterway Corporation. Someone ought to write a book about the accomplishments of that corporation. That book would have more romance in it than a half-dozen

of our popular novels.

"It is already forgotten that the foundations of the civil government in the Philippines, including Civil Service, were laid by officers of the Army of Occupation in 1899-1900. That was work that demanded courage, perseverance, a high degree of ability, patience and unwavering devotion to duty. All the work of rehabilitation of the Philippines to a condition of law, order and progress, was done by the Regular Army. In Cuba, also, the officers of the United States Army laid the foundations of civil government, and have advanced civilization in all its aspects in all our territorial and insular possessions. The Bureau of Insular Affairs is still under the direction of the War Department."

By this time I had become convinced that Secretary Hurley and his Army Officers actually found something to do between wars. They may get in their horse-back ride and round of golf over the week-end, but it seems that this is part of the job too, because as Mr. Hurley said: "It is necessary for officers to take exercise. We want no paunchy individuals slowed down by excess weight and fallen arches."

I had two more questions to put to him and I wanted to get them in before he ran out on me.

"Mr. Secretary, can you tell me what you mean by 'Industrial Mobilization' or 'Industrial Preparation'? Those designations have a very vague meaning for the man in the street."

Mr. Hurley rose from his chair and again shot that strong right fist straight forward from the shoulder.

"'Industrial Mobilization' means that we learned something more from the last war than we learned from all our previous wars. The National Defense Act of 1920 charges us 'with assurance of adequate provision for the mobilization of material of industrial organizations essential to war-time needs'. This sentence means that Congress took positive action to capitalize the bitter economic lessons of the World War. I found out all about industrial mobilization and the extent of the meaning of the term when I was holding down the job of Assistant Secretary of War. When the War Department studies industrial mobilization, it means that it is undertaking an orderly and systematic national survey of raw materials, power, labor, and transportation and the allocation of required materials to those facilities best fitted to produce with the least disturbance to our economic structure. For a long time Industrial Mo-

bilization was a nebulous sort of thing, even in its concept. It might be said to have existed merely in the minds of those of us who were extremely anxious to see it take the definite form. But by this time we have given flesh and bones to our hopes and theories, and comprehensive plans have been formulated for the systematizing of supply procurement and munition manufacture, the abolition of profiteering, and the elimination of wasted or duplicated effort. The plans also include preparations for providing the President, in time of war, with an adequate organization to assist him in the control and direction of our industrial effort. This organization would be composed of eminent men representing every type of production and industry, and would be independent of any established executive bureau or department.

"In the development of its Industrial Mobilization scheme, the War Department has already secured the cooperation of more than 14,000 manufacturing concerns. In many instances factory plans already have been drawn up. Lack of necessary funds has prevented the accumulation of the necessary quantities of jigs, gauges, dies, and fixtures, but we have determined the methods necessary to expedite their procurement in the event of another war. Our munition specifications, for one thing, are drawn up so as to take advantage of existing manufacturing facilities and processes. Next time we won't ask a manufacturer to direct all his efforts and the entire capacity of his factory to the production of munitions. We will be able to distribute the load equably, so that he may continue the production of his peace-time manufactures. This in itself will mean that business and industry will not be entirely dislocated and disorganized as they were when we entered the war in 1917."

At this point I interrupted the Secretary. "Mr. Hurley," I asked, "are you referring, in that last sentence, to the proposed Commission to take the 'profits out of wars?'"

"The Commission to take the 'profits out of war' has a very big job on its hands, and it is looking for intelligent suggestions from every citizen who has one to offer. Its task is the development of a comprehensive and concrete plan under which the Nation's vital needs can be met in war, in such a manner that profiteering will be impossible. Such a plan would require from all citizens, and from every material thing, contributions in accordance with the accepted principles of equity and jus-

tice. The Commission will try to find ways and means to avoid emergency purchases by the Government. Emergency purchasing inevitably leads to higher prices, money inflation, and profiteering. Before I leave this office I hope to be able to say that we have a workable plan evolved, and definite policies formulated which will make it impossible for one man to stay at home and make a fortune from war-time Government contracts while his fellow citizen is losing his life in the trenches. . . ."

Here I injected an exclamatory comment of praise. Mr. Hurley smiled and said: "That idea must mean a lot to our fellow-citizens because whenever I speak of it, it always gets a big hand. It does not mean any more to them than it does to me. . . ."

I looked up at the clock and I knew if I did not get out soon the Sergeant-at-arms, or the M. P. or whatever they call the bouncer at the War Department, would throw me down two flights of hard stone steps.

"I am deeply appreciative of this opportunity to interview you, Mr. Secretary," I said, "and I hope that the next time you give me an interview, you will have moved across the street to another office."

"Of course, I appreciate what you are saying but that office is clear outside of the realms of my ambition and besides I am serving as great a man as ever filled the place."

You will find the simple Mr. Hurley, the unaffected, unassuming, unspoiled Westerner, in those few lines.

Help Yourself!

(Continued from page 11)

other types of establishments will be included under a miscellaneous heading. Data are to be gathered which will reflect the credit policies of these establishments in their dealings with retailers, and the results presented in such manner that the individual business man may compare his own practices with large groups of other merchants operating under similar conditions. Information to be collected includes the terms of payment on which goods are sold to retailers, the credit losses sustained, the extent of returns and allowances, the promptness with which retailers pay their accounts, sources of information relied upon and minimum standards used in determining the credit responsibility of new business enterprises.

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BUSINESS CREDIT

IF the mainspring of a business is the brains and driving force of some man, there is no surer, quicker way to strengthen the credit position of that firm than by taking adequate Business Insurance on his life.

This matter needs careful consideration. May we, without obligating you in any way, provide some general information on this subject? Address:

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197 Clarendon St. Boston, Mass.

Please send information regarding business credit.

Name

Address

C. M. OVER SIXTY-EIGHT YEARS IN BUSINESS

In a letter addressed to the 137 local credit associations of the National Association of Credit Men, Dr. Stephen I. Miller summed up the matter by saying: "Since intelligent credit management is vital to sound merchandising, it is particularly fortunate that we are to have this basic inventory of our mercantile credit structure at this time. The information gathered should give every credit manager a better approach to his daily problems."

The 137 local credit associations are an important part of the machinery that has been set up to make the survey. Supplies of envelopes have been sent to all of these associations. Each association has been asked to type on these envelopes the names and addresses of all the principal wholesalers, manufacturers, and commission businesses selling direct to retailers, in their respective localities. These addressed envelopes will then be sent by the credit associations to Washington where enclosures will be made of questionnaires and letters, and mailed direct to the business firms. The questionnaires will be sent out during the month of April. After filling in the questionnaire, the individual firm will return it direct to Washington.

The success of the survey depends upon the response of the business houses to which the questionnaires are sent. The questionnaire is not a difficult one to answer. In fact, it is easy to fill in, calling only for basic information which every business firm possesses. This is a purely voluntary survey for the benefit of business, and the Department of Commerce is glad to lend its support to such an undertaking upon the request of the representatives of business. However, it is only by the cooperation of individual wholesalers, manufacturers and commission men in giving their figures promptly and accurately that it will be possible for the Department to make available to these same business men in consolidated form the results which will be of benefit to them in the conduct of their business. Individual establishments may feel free to give their figures to the Department of Commerce as they will be held in the strictest confidence.

This nation-wide survey of mercantile credit will be made under the general direction of Dr. Frank M. Surface, Assistant Director of the Bureau of Foreign and Domestic Commerce and Mr. H. C. Dunn, Chief of the Merchandising Research Division of the Bureau. The writer of this article will be in immediate charge of the work.

On behalf of the National Association of Credit Men, Mr. Henry H. Heimann, Vice-President, will serve as Chairman of a special committee to cooperate in the survey. Dr. Frank A. Fall, Director of Education and Research of the Association, will serve in an advisory capacity.

Information vs. Intelligence (Continued from page 13)

the greatest use of it. This potential gold mine of information is the traveling salesman. In the most progressive sales organizations, the slogan today is, "The salesman must be more informative." This means more informative to his house as well as to the customer. The salesman is like one of Moses' twelve agents; he is the observation post, the patrol and the scout, operating up to and even within the enemy lines. In meeting the enemy competition and sales resistance, the sales force becomes the combat unit. "The securing of enemy information in the field is a continuing function of all combat units."

The information brought in by a salesman is not only indispensable to the credit manager, it is just as valuable

For You—If You Ask for It At Once

ONE of the most significant and valuable papers yet prepared on the Analysis of Financial Statements has been reprinted by Credit and Financial Management for the benefit of its readers. Only a limited number of copies of this treatise have been prepared so the first ones to write in for a free copy of this comprehensive survey of the Analysis of Financial Statements will be the first ones to receive a copy. We cannot promise how long the supply will last, so if you want your copy, send in and get it now. Write to the Editor, CREDIT and FINANCIAL MANAGEMENT, One Park Avenue, New York.

to the sales manager, and the advertising manager. It is necessary in planning a sales campaign, an advertising program, a collection drive.

Business must learn, as the military organization has, that an undigested mass of information will do more to cause confusion than it will help to clarify a problem. Just as the army changes military information into military intelligence, business must convert its information into intelligence. This can be done successfully only when a definite plan is followed. The plan can follow closely the plan used by the Army in developing its information into intelligence.

Under our M I D system, information comes in from Military Attachés and from the State Department and Commerce Department representatives abroad (Foreign Service and Commercial Agents, etc.) in the form of reports and special studies. Newspapers and periodicals, both foreign and domestic are studied and clipped. Private individuals also send in information from time to time. There is a constant flow of information into the Military Intelligence Division of the War Department at Washington. This information is sorted and the obviously valueless is rejected. The rest is then studied and in this study it is evaluated by experts competent to judge the value of any given piece of information, correlate the various items and deduce

therefrom certain definite facts or indications of conditions. Then this information, which has now become intelligence, is properly written up, edited and disseminated. Obviously, it would serve no great purpose if it were merely filed away. Finally, it may be distributed in its entirety to all parties entitled to receive it, or it may be split up and the various recipients may receive such parts as are of interest and value to them or to their departments.

In time of war the sources of military information are greatly increased. They range from high ranking military attachés in neutral countries to privates on patrol in No Man's Land. These sources include observers, reconnaissance parties, prisoners of war, deserters from the enemy, repatriots and inhabitants in general, enemy documents (ranging from official orders to post cards), escaped or exchanged soldiers formerly in the hands of the enemy, hostile and neutral press, periodicals and literature, listening-in stations, secret service and many others.

Under our Military Intelligence system, the information gathered regarding a potential enemy in peace-time covers four factors: Combat, Political, Economic, and Psychological. Each of these factors is divided into three primary divisions and each of those is broken down into other logical subdivisions which are still further subdivided until we have one hundred and twenty-one separate items for each of the four factors in a given country; or according to this system, when it is carried to absolute completeness, a total of four hundred eighty-four points is covered. This gives a complete picture and serves as the basis for estimating the situation in any country, when developments warrant such attention.

In business we have very much the same variety of sources of information. There are the various general mercantile and special agencies, trade associations and groups, interchange services, banks, public records, newspapers, trade papers and periodicals, local attorneys, other business houses, financial statements and of course, the information already available in the credit file and customers' ledger. There is also the direct correspondence with the prospective customer and the investigation by the credit man's representative and by the salesman. And it is the salesman who can give real up-to-the-minute information on the existing conditions not only of the prospect and his business but also of the community, its business, industry, and crop conditions.

By proper inquiry the salesman can determine the effect that various conditions and events are having on local business, the possibilities for the future, what other firms are doing in the same territory in sales, advertising, etc. He can determine what the local merchant is doing in the advertising line and in pushing certain lines of merchandise.

It might seem that a salesman who gathers all or a substantial part of the above information would have but little time to devote to selling. But after all, it is the sales which result in payment in full that count. And today salesmen and advertising jointly are selling approximately a billion dollars' worth of merchandise annually which is paid for through the bankruptcy court at an average of 8.63 cents on the dollar. So it might be an economic gain to pay the salesman for this extra work or in some manner adequately compensate him so that he will get the information which is necessary to help reduce this billion dollar loss.

As all this information pours into headquarters it must first be sorted. Primarily it is credit information. Therefore it should come first to the credit department. There a competent and well-informed clerk could weed out the obviously out-of-date or otherwise useless information. From him it would pass on to the credit manager and the assistant credit managers for study and analysis. This information would include not only data on present and future accounts, but, as previously indicated, information on all the various factors that would enter into any consideration of sales, credits and collections, advertising and finance.

Professor Albert F. Chapin in his book, "Credit and Collection—Principles and Practice" says: "The credit man is essentially a student . . . He must develop the ability to see ahead. Credit men, because of their constant study of it, should be able to read the future better than any other group engaged in business enterprises. There must be a greater ability to foresee and with accurate foresight will come the ability to control."

"More records on a national scale are being kept, and still more will be kept in the future and with greater accuracy. These records must be interpreted, and from this need we may expect to find the Business Economist in the place of the man we know now simply as the credit man."

Professor Chapin pictures a great and important future for the credit man. The credit man must be of an analyti-

cal type of mind. While he has his problem of slow pay accounts and his bad debt losses, he is somewhat removed from the scene of battle. The sales manager is on the firing lines with his troops, the salesman is waging a bitter fight against the ever-present enemy, sales resistance. He has a quota to make, as has each salesman. In the heat of battle the sales manager does not have the calm, analytical mind necessary to convert business information into business intelligence.

On the other hand, we have the credit manager who is really the business economist, and vitally interested in two of the four factors, Credits and Collections and Finance. Because of his education along business lines he has acquired a working knowledge of the sales end of the business. Who is better fitted to analyze the incoming information, whether it be from nearby sources, from the battlefield or from within the enemies' lines? As to the fourth factor, Advertising, even though he may have practically no technical knowledge on the subject, he could certainly assemble and collate the information coming in from the various sources and pass it on with comments to the advertising department just as sales information

would be passed to the sales manager. The main essential is team-work among the various departments and between the salesman and the house. But when it comes to selecting one person on whom the responsibility for Business Intelligence, evaluation and dissemination should rest, the up-to-date credit manager would certainly seem to be the logical choice.

When this method is in practical application, the files of the credit department will contain information to cover almost any situation or set of circumstances.

Writing in the American Consular Bulletin, March, 1922, Major Marlborough Churchill, General Staff, U. S. Army, said in substance: "The underlying principle . . . is that, for the entire world, the Military Intelligence Division should attempt to be ready to answer the questions: 'What is the situation today?' and 'What is the future situation likely to be?'"

The credit manager who is in fact a business economist and who is fortified with proper "business intelligence" as distinguished from "business information" should be able to answer the same questions when asked by the sales, ad-

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County Fire Insurance Co.	North Carolina Home Ins. Co.
Detroit Fire & Marine Ins. Co.	Rochester American Insurance Co.

Great American Indemnity Company

vertising or production executives, for information on any part of the business world where a market for his merchandise might exist.

A comparative analysis of military intelligence bases with suggested business intelligence bases follows:

WAR DEPARTMENT INTELLIGENCE: This is the military intelligence which is produced under the direction of the War Department General Staff in peace and in war. Every possible theatre of operations is studied. The studies cover the strength, organization, armament, equipment, tactical and supply methods, the resources, the economic and political conditions and aspirations, the history and national psychology of possible enemy countries and the military geography and topography of all territory controlled by them.

HOME OFFICE INTELLIGENCE: Under this heading we will set down the business intelligence produced under the direction of executives of the business both before and during a sales campaign. Every possible or potential market is studied. The studies cover the number of outlets, types, capital, credit ratings, general method of operation, location, transportation facilities, distribution points, economic geography, climate, business, economic and financial conditions of the territory, state of prosperity, the population, its nationality, race, occupation and known prejudices.

This is the information (intelligence) on which we base our plans. From an adequate supply of such information we can determine approximately the number of troops or salesmen required in entering any given territory; the preparations required; the fronts or sales districts to be assigned; in fact from a study of this data we should be able to determine whether we should even undertake the invasion, whether in war or in business.

COMBAT INTELLIGENCE: Produced in the field during hostilities. Covers such points as the location, strength, composition, armament, equipment, supply, tactics, training, discipline, morale, movements, intentions, condition, and the situation of the enemy forces and the terrain over which a combat unit is to operate or is operating. Also the extent of the enemy's knowledge of our situation.

FIELD INTELLIGENCE: Produced in the selling field during a sales campaign. Covers the sales resistance, competition, opposition, methods of competitors, difficulties encountered, local conditions and their causes, ef-

fects and results. Anticipated or expected changes, reports on individual accounts covering the location and condition of the customer's business, his business methods, financial resources, advertising, reputation, character and ability of the customer. Customer's bank, credit needs, paying habits, etc.

It will be observed that prior to the outbreak of hostilities and establishing of contact with the enemy, or in business, prior to the time when the salesmen enter a new territory, the flow of information is from the higher command or executives down to the lower units or salesmen. After the outbreak of hostilities, or the entering of the sales force into a given territory, the flow of information is from the lower units, or salesmen, to the higher command or executives. Nevertheless, the fact remains that there must be a definite point where it concentrates and is, by evaluation or critical analysis, converted into intelligence.

Reverting to the suggestion that the credit department should be the intelligence centre, the question might be asked: "Why the credit department?" Because modern business like modern warfare must anticipate all eventualities. To do this it must have available information on every factor that in any way has a bearing on what may occur. A war, as we now know, affects and is affected by details which would seem to be far removed from military strategy, tactics or supplies. For this reason, War Departments, not only of our country but of other nations as well, have set up the Military Intelligence system which assembles all such information in one place as a measure of preparedness.

The keen competition which is developing so rapidly in business must bring about a similar set-up in every progressive organization which hopes to expand or even hold its own in this modern struggle for the consumer's dollar. A Business Intelligence Division is the solution to the problem. Whether it be composed of one executive, sitting as a Business Economist, or of the heads of the various departments, (production, sales, credits and collections, advertising, traffic, finance) there must be some one person responsible for its operations, the files must be in one particular department, and it must function along some one definite plan. We may produce merchandise, advertise it and sell it, but unless we collect for it, our efforts are in vain. This brings the credit executive to the fore as the man on whom the final responsibility must

fall. Why then should he not be the one to have the responsibility for the operation of his firm's Business Intelligence Division?

The development of new possibilities in merchandising, new styles, new ideas, new markets, new methods, all of these would come under the Business Intelligence Division and with the aid of the accumulated information in the intelligence files, decisions would be more intelligently and more satisfactorily arrived at.

J. P. Miller, Vice-President in Charge of Sales, Pet Milk Sales Corporation, St. Louis, in a very able article in *CREDIT MONTHLY*, September, 1930, says in part: "The Credit Manager has unusual opportunities in his position to receive a broad training in marketing. He has, in addition to his contacts with salesmen, markets and customers, close contact with accounting and finance. While marketing is not on the scientific basis that production now is, the Credit Department has gone a long way beyond the Sales Department in placing its affairs on a sounder basis. It has eliminated much of the guesswork and rule of thumb methods that still persist in selling." Score one for the credit department.

In the December, 1930, issue of *CREDIT MONTHLY*, in an article by E. C. Gayman, General Credit Manager, Sperry Flour Co., we find the following: "A specialist is continually calling upon the trade and reports are made of each call. In addition to data supplied the Sales Department, he also refers to the credit responsibility of the merchant. He calls upon all whether we are selling them or not. These reports, no doubt to the surprise of many of my readers, come to my attention before they go to the Sales Department. I read them carefully, and if we sell the account, I indicate whether sales are made on credit or cash, and give additional information which I think will aid the Sales Department in their analysis of the potentiality of the account. . . .

"I find it good policy occasionally to issue a bulletin from the Executive Credit Department, having particular reference to collections and other phases of our Credit Operations, and place one in the hands of each salesman as well as the Sales Managers."

Here is a credit executive who is functioning along the lines of the Military Intelligence Division; he is collecting and evaluating business information and disseminating Business Intelligence.

And when this Business Intelligence Division comes to be an established fact in all of the large corporations and business houses, perhaps we can build a centre of exchange where this business intelligence will be gathered together from all sources, carefully evaluated and then made available to all. A business house, contemplating a new market and sales program would, through the Business Intelligence Division, procure from the center of exchange all available data and consider it in connection with whatever plans it had in mind.

As a result of the studies made at the center of exchange we might be able to develop an answer to the question of what causes business depressions, when they can be expected, when they will end, and above all, how they can be reduced or eliminated.

The Credit Department is the logical place for this activity to be centralized. Many credit executives are today functioning along the above lines and are in fact the recognized Business Economists on whom the directors and higher executives are depending for the correct interpretation of past, present and future conditions. Thus they are the Military Intelligence Division of their business. Their importance in modern business depends entirely on themselves; the opportunity is here if they will but grasp it.

A thought in closing: What wonders could be achieved if we would devote to peaceful pursuits the study, effort and money that we devote to war.

Machines Move Mountains

(Continued from page 15)

business are readily obtained. The company now has fuller information than was possible before. Yet fifty per cent of posting labor has been saved and a saving of at least twenty per cent in time has been effected.

In short, Parke, Austin and Lipscombe gets more information at less cost, in a shorter time, with greater accuracy. Employees share in the savings of the department through a generally improved wage schedule. This is a typical result of mechanized methods. For when business can handle a greater volume without a corresponding increase in personnel, it can afford better salaries for employees.

John David (a corporation) operator of a chain of eleven men's wear shops, is another illustration of the same principle. According to Mr. P. A. Wilmoughby, Controller, books were closed

on the 27th under hand bookkeeping methods, yet statements were not out before the 10th. The company's business has grown rapidly, with a consequent increase in bookkeeping detail. Constant additions to the staff would have been necessary had the company not adopted electrical bookkeeping machines.

Now, four electrical machines handle all accounts receivable and payable. The same personnel handles a 300 per cent increase in accounts receivable with a saving of \$9,000 yearly in labor as compared to what it would cost to handle present volume by the old method. Payroll has been reduced \$1,560 a year, although salaries have been substantially increased. Books are now closed at the very last hour, yet statements for all eleven stores are out on the first of the month. Naturally, this has speeded up collections.

Postings are made to the statement ledger card and carbons are used as proof sheets for cash, or sales and returns. Accounts payable are posted to the ledger card, with a carbon for the purchase journal. Checks are also handled by these machines making an original and carbons for both ledger and cash book. Four hundred postings a

day and six thousand statements a month are easily handled by two of the machines. A perfect control is achieved through an hourly balance, giving an absolute accuracy which was impossible under the old system.

Publisher, chain store operator, manufacturer—all have essentially the same experience. The New Jersey Zinc Company, for instance, estimates that seven times the amount of work is now handled without an increased force, through utilizing billing, bookkeeping, adding and calculating machines in its accounting division. Before mechanization the end of the month meant working until midnight or even later. Now there is no night work. Statements, which previously required ten days, are now ready in five.

Another aspect of the matter is the confidence in final results which machine methods inspire. Chances for error are reduced to a minimum. If inaccuracies occur they are readily detectable. In cost accounting and the preparation of vital business statistics, this factor is an incalculable asset.

Many corporations have developed what may be termed a centralized computation department to which all cal-

(Continued on page 43)

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Credit Control and the Federal Reserve

THE FEDERAL RESERVE SYSTEM AND THE CONTROL OF CREDIT. Walter E. Spahr. The Macmillan Co., N. Y. 1931. 138 pp. \$1.75.

In essay form, this book by Professor Spahr of New York University won the first prize of \$1000 in the eighth Alvan T. Simonds Annual Economic Contest. The committee of award consisted of Professor Davis R. Dewey of the Massachusetts Institute of Technology and John G. Thompson, economist of the Simonds Saw and Steel Company.

Dr. Spahr notes a confusion of thought and opinion in present-day discussions of the Federal Reserve System, due largely to a lack of comprehension of the fundamentals involved. Until there is a general understanding of these basic principles and a preponderance of agreement regarding them, much of the current discussion remains either futile or irrelevant.

He therefore aims to present the various considerations underlying questions of credit control in terms that present no difficulties to the general reader. On the assumption that such a reader prefers not to be encumbered with voluminous footnotes and bibliographical citations, these have been kept at the minimum. As a result, his presentation is such as to attract the casual reader, and to hold his attention after he has once dipped into the volume.

There are but six chapters, covering, consecutively, fundamental considerations in credit control; the mechanism of credit control in the United States; credit control in England, France and Germany; how the Federal Reserve system has used its credit control mechanism; proposed changes; and a summary of the argument presented in the first five chapters.

For the Federal Reserve, says Dr. Spahr, the years 1914-1917 constituted a period of organization and experimentation. Then came the war, during which time reserve policies were dominated almost entirely by the Treasury. Normal banking policies could not and did not develop. The winning of the war was the prime consideration during 1917 and 1918. Most of the banking policies and rate structures up to 1920 were in the nature of experiments. During the years 1920 to 1923 the reserve authorities were busy attempting to stem the tide of deflation and the subsequent rise of prices, so that it was not until 1923 that anything like normal banking policies and rate structures began to appear.

The reserve authorities have not, in the author's opinion, developed anything like a rigid set of principles regarding the use of the various elements in the mechanism

THIS MONTH'S BUSINESS BOOK

BUSINESS ADMINISTRATION. Willis Wissler. McGraw-Hill Book Co., N. Y. 1931. 397 pp. \$5.00.

Money, markets, men, machines, materials and method (the six M's, to match the three C's of credit) are closely examined and revealingly discussed in this well arranged and comprehensive treatise on what business is and how it works.

The author, who is professor of industrial research in the Ohio State University College of Commerce and Administration, inscribes the book to his grandfather, the pioneer industrialist, Aaron Wissler.

Professor Wissler gives his material eight main divisions:

- I The setting—past and present
- II Pecuniary control of the modern industrial order
- III This distributive age
- IV Man and management
- V The power age
- VI Material factors in the stabilization problem
- VII The mechanics of management
- VIII Social consequences of industrialism

The arrangement of the book makes it pleasantly readable for the business man as well as for the student of business administration for whom it was primarily intended. There is, for example, a brief Foreword at the beginning of each chapter, as well as quotations all the way down from Omar Khayyam to the Bulletin of the Taylor Society. And there are admirable "Cues for Discussion and Debate" at the end of each chapter.

Chapter VI on "Banking, Credit and Exchange" covers the Federal Reserve system; the central bank as a business stabilizer; the cost of money as a utility for facilitating trade; credit as a form of indirect barter; the historical antecedents of credit; consumer credit; the nature and origin of exchange; and the technique and control of exchange.

Economists, says Professor Wissler, may dispute with the business man the existence of real credit in instalment merchandising. One might whimsically argue that the system is one of instalment cash rather than of instalment credit. Consumers under the plan appear to pay as they consume, provided the instalment is made to equal the portion consumed in each time interval.

This is a fresh and interesting point of view, which seems to be shared by certain states where title is not passed until all payments have been completed. In Pennsylvania, for example, automobiles are sold on what is virtually a rental basis, obviating the necessity of suits for repossession.

Here is a good subject for debate in a local Association, and plenty more are to be found in Professor Wissler's lively chapters and his well-chosen "Cues for Discussion and Debate."

of credit control. They have taken the position rather consistently that they cannot stabilize the price level, and they reserve the right to meet each situation as it arises. Discretion plays a large part in reserve policies, which are designed to aid commerce, agriculture and industry rather than to stabilize the price level. In the opinion of many, opportunism is no small factor in reserve policies.

There is some feeling, Dr. Spahr concludes, that the Federal Reserve Board is a bit too vague and secretive concerning the policies and principles which are followed in credit control, and that it might render a better service to the country by endeavoring to educate the public and Congress with respect to its operating principles. It is believed, also, that this method might afford some safeguard against the criticisms, unwise as well as wise, that have been directed against the Federal Reserve system.

Exports and Imports

FOREIGN TRADE. Grover G. Huebner and Roland L. Kramer. D. Appleton and Co., N. Y. 1930. 805 pp. \$5.00.

This product of the Wharton School of the University of Pennsylvania is a complete treatise on foreign trade, and is destined to become a deskbook in constant use by both exporters and importers.

Part I is devoted to general principles governing international commerce; Part II to general methods of foreign trade promotion by government and private agencies; Part III to export and import trading organizations; Part IV to financial practices in foreign trade; and Part V to export and import trade methods and technique.

The book is up-to-the-minute, taking full account of the tariff of 1930 and presenting a particularly valuable chapter in which all changes brought about by the Customs Service Act are recorded.

Four chapters which will be studied with interest by credit managers of exporting and importing concerns are Chapters XXVI on "Methods of Financing Exports and Imports;" XXVII, "Foreign Credits and Collections;" XXVIII, "Sources of Foreign Credit Information;" and XXIX, "Foreign Credit Guarantees and Insurance."

These chapters are illustrated with a number of forms, including negotiable bill of exchange; bank instructions; import letter of credit; credit report of the Foreign Credit Interchange Bureau of the National Association of Credit Men; and world trade directory report. Incidentally, these chapters contain several references to surveys conducted by W. S.

Swingle of the Association's National Office staff.

In the chapter on "Foreign Credit Information" the authors make a statement which is worth passing on to all of our readers:

"The incorporation of the interchange of experience into a full organized scheme as a sole method of operation is the plan of the Foreign Credit Interchange Bureau of the National Association of Credit Men. It is a non-profit, co-operative bureau, membership in which is confined to members of the National Association of Credit Men upon payment of an initiation fee and the annual dues. It is supervised by an executive committee composed of its own members. The reciprocal nature of this interchange is revealed in the terms of the agreement with its members, reading in part as follows: The Subscriber agrees 'to furnish to the Bureau a complete list of the names and addresses of foreign concerns, including Canada, and domestic export commission houses in whom interested, and supply names of new or additional accounts in any manner most convenient; to furnish promptly a full and exact statement of business experience in accordance with details indicated on the form of inquiry received from the Bureau, and to substantiate, if requested, experience so contributed.' The Bureau agrees 'to furnish up to one hundred original reports, supplementary reports whenever obtainable, reciprocal copy of all reports upon which the member contributes experience.'

All information relating to lists of customers or to the identity of each member is considered as strictly confidential. The Bureau has data on more than 300,000 foreign concerns and the information is kept constantly up-to-date by the addition of new experiences of old suppliers or by the addition of entirely new references."

Machines Move Mountains

(Continued from page 41)

culating is routed.

A large baking company may be cited as a typical example of this procedure. The company's computing division uses a battery of calculating machines with an experienced operator assigned to each one. Studies are made from time to time to guarantee that efficiency of production is maintained. This department handles all the computation and calculating work in connection with the company's forty-nine plants. Through the use of mechanical calculators a constantly increasing volume of statistical detail is handled with a relatively stable personnel. As an instance of time economy, it requires approximately half a day for a good mathematician to make up a cost sheet under manual methods. Now this work can be done in from one to one and a half hours. The department operates on the principle of mass production and standardization. Forms are extensively used to obviate the necessity of recurrent questions on the same matter and to eliminate the "stop and start" impediment which results from the necessity for constantly making minor decisions.

The company's practise, with natural minor deviations, is more or less standard as regards centralized computation. A limited survey indicates that the plan of continuous operation, trained operators and a single department for all calculating work produces, on the whole, better results than the decentralized method whereby accountants and others do their own calculating on individual machines, supplemented with operators for certain special work or peak loads.

Since machines are made for steady, uninterrupted production, it generally follows that the fullest benefit is obtained when they are used in this manner. It has been held that machines tend to dwarf individual initiative and stultify imagination and intelligence. The facts do not bear out this contention. Very often the reverse is true. For it requires intelligence to make the fullest application of mechanical devices to your particular problem, just as it requires thinking to make the proper use of facts when they are available.

There are instances of machines doing jobs which would be virtually impossible otherwise. The work could, of course, be done by manual means but at a staggering cost and with such opportunities for error that few would care to undertake the task. The statistical requirements of the National Bureau of Casualty and Surety Underwriters is an instance in point.

Mr. Marcus Meltzer, Statistician of the Bureau, pointed out that it would be virtually impossible to make the necessary analyses of the data submitted by members without the use of machines. The tabulation of this data, for instance, would be physically impossible. Space requirements alone would be tremendous.

For instance, there are twelve classifications of burglar alarms. With a separate sheet for each classification, 6,000 sheets would be required for five hundred cities. Each policy would have to be recorded on a special sheet, showing all subdivisions, classifications, etc. There would have to be records for New York butchers, grocers and all other lines of business. Posting and adding would be continuous. Verification would be a staggering task. Computation of percentages for final forms would require 10 or more people engaged entirely in this task. Approximately 10,000,000 sheets would be required and the clerical work would necessitate a staff of perhaps 500 people—to say nothing of the fact that there

1345 BANKS CLOSED

in 1930

343 MORE BANKS

Closed from Jan. 1st to March 23rd, 1931

All bank closings and reopenings can be obtained daily from the news columns of the **AMERICAN BANKER**, at \$12 a year.

An arrangement with the Banking Departments of the various States and our nationwide news connections enable us to report this data more completely, accurately and promptly than any other publication or news service available.

Sign and return the following order blank for 12 months subscription to the **AMERICAN BANKER** and list, by States, of all bank closings and reopenings from July 1st, 1930 to date of your subscription.

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American Banker

32 Stone Street New York, N. Y.

Please send me the daily **AMERICAN BANKER** for one year beginning immediately, at the rate of \$12 a year. I understand that this also entitles me to a list of all bank closings and reopenings reported in your paper from July 1st, 1930, to date of my subscription.

Name

Address

POSITION WANTED CREDIT COLLECTION MANAGER

Experienced finance, time payment machinery sales; office management; capable assuming full responsibility. College graduate, good record, A-1 references. Address Box 25 P.W., Credit and Financial Management, 1 Park Avenue, New York.

POSITION WANTED

by an experienced and thoroughly competent credit and collection man who has judgment and tact and can show fine record with best of references. Married. Willing to go any place. Address Box P. W. 24, Credit and Financial Management, One Park Ave., New York.

CREDIT EXECUTIVE

with a sales attitude and a complete business back-ground. I am a college man, have the ability to act in various situations, and am afraid of neither work nor responsibility. I am a member of a Protestant church, a college fraternity, Masonic orders and local clubs. I am employed at present but desire a connection where my initiative and interest will have a larger opportunity for expression. Address Box P. W. 23, Credit and Financial Management, One Park Ave., New York, N. Y.

would be no room in which to keep the records.

Electric sorting and tabulating machines, however, enable the Bureau to arrive at final analyses speedily and accurately, with a minimum of personnel. The basic unit of this system is a punched card, transcribed by touch system from original records and verified for accuracy. All information is coded into numerical symbols which appear on the cards.

The original punching represents all necessary information. After this has been done the cards are automatically sorted in numerical order by a machine with a capacity of 300 to 375 a minute. A girl could hardly sort 10 a minute. After sorting, the cards are mechanically tabulated and the finished, final statement is mechanically posted.

Briefly, in a compact space, the Bureau has every conceivable kind of information on 1,000,000 cards. There is never any necessity for costly time consuming reference to original records because once the original master card has been verified, the remaining records must be accurate since sorting and tabulating are wholly mechanical processes.

All members of the Bureau use the same system. Otherwise, the cost of filing the annual report required by Insurance Commissioners—usually within a time limit of 45 days—would be prohibitive in cost. Nor would members be able to promptly and accurately furnish data required by the Bureau without the use of a mechanical system.

The Commercial Factors Corporation, through the use of a similar system, has been able to submit several more statistical reports than was possible before and accomplish some special work which, it was estimated, would have required nearly three years' full time work of one man. The job is now done monthly at an insignificant cost. A single machine installation liberated approximately thirty employees and the mechanization of accounting functions has saved about ten days a month in making final statements. In large scale business this means that money which was previously "tied up" in reports is now freed for active use and 120 days of interest are thus earned, each year, for the corporation.

This is a spectacular instance. Ordinary instances of savings of several thousand dollars are more common. One well known typewriter accounting machine has effected economies for manufacturers through the adaptability of its application. This machine can, under certain conditions, perform the work of

approximately five clerks with an improvement in speed and accuracy of output. Combining an electric computing mechanism that prints, with a standard typewriter unit, this machine adds charges, subtracts credits and extends and prints a balance directly from the computing mechanism, the balance being printed by the depression of one key only.

For Purchase and Payment records, this machine checks incoming invoices, posts accounts payable ledger and creates proof-journal at the same time. It writes checks, voucher and chec-register in one operation. It posts purchase distribution and creates a proof-journal simultaneously. It handles Accounts Receivable as readily, typing, calculating and completing outgoing invoices in one operation. Customer's statements, posting accounts receivable ledger and creation of proof-journal are a single operation. Sales distribution at cost and selling prices by territories or commodities and the creation of a proof-journal are done simultaneously. A cash received record is maintained. Timekeeping and payroll work, cost records and stores ledgers—all may be handled by this one machine.

The complete accounting needs of many moderate-sized manufacturers have been met with this type of machine, while the largest organizations have found its use economical in more specialized work. Despite its adaptability, the operation of the machine is simple enough for any employee to learn rapidly. But the mechanism is fine enough to increase calculations involving a half cent or more to a full cent. Direct multiplication and direct subtraction add to speed. Dates are set up once each day and automatically repeated thereafter. This, on 300 postings, saves 2700 typing impressions and entirely eliminates errors. Other time and labor saving features are the electrical return of the carriage to starting position; the automatic decimal tabulation of dollars under dollars and cents under cents; the printing of credit balances in red. The savings effected by the use of this type of machine have followed, in general, the averages established by mechanized accounting. Today there can be no question that machines do effect economies. The only problem to be solved is the individual one of *how much* can be saved by a specific machine for a specific job.

In conclusion, I would recommend that executives select business machinery from the standpoint of its usefulness for the work at hand. This seems

obvious and elementary. Many executives are swayed, in their choice of business machinery, by the excellence of the product itself rather than its application to their particular needs. The manufacturers of office machinery recognize this fact. I have known salesmen to recommend a product other than their own because it better fitted the needs of the customer. This is not altruism. For the finest machine, installed where it does not exactly fit, breeds dissatisfaction. The minor profit of a single sale becomes a major debit of customer ill will. All machines made by reliable manufacturers are, in themselves, good. All give satisfactory performance. All can be depended upon for mechanical satisfaction. The *best* machine, for you, is the one that most fully meets your individual requirements.

Often it requires a little research to find the equipment that will most fully meet your needs. Price, alone, is a useless yardstick. The most expensive machine made may be cheapest for you. Saving in labor, saving in time and, last but not least, getting the job done as well as possible—these are the true gauges of a machine's worth to you.

Selling Credit Depts.

(Continued from page 17)

to sugar-coat their real meaning with sweet and subtle language, so 'believe it or not' we were pleased by your frank straight-from-the-shoulder style of expression.

"Curious as it may seem, we agree with almost everything you say. For instance, you wrote 'The man who makes use of the strict 10 day terms as a sledge to knock his customers out of a discount, so as to show his authority, is making trouble for his line of goods'. That's absolutely right. The only point of difference is that you seem to proceed on the assumption that we are trying to deprive you of the cash discount.

"You say you have been in business over fifty years. We've been in business only forty-three years, but in that time we have learned a number of things, principally that a wholesale grocer cannot remain in business without profit. We have learned also that the average net profit of wholesalers is less than 2 per cent., and that 'cash discount earned' makes up a large part of this profit.

"Consequently, we want our customers to have the discount on Net

Milk invoices. As a matter of fact, we go out of our way to write letters to customers who fail to take discount. We tell them how much it means to them, and urge them to take advantage of it—and we try to do this in a fair and square manner.

"To illustrate: We want everyone to take discount, but we don't want one man to take it in ten days, another in fifteen, and another in twenty. That would not be fair. While we want everyone to have the discount, we insist upon his paying in time to entitle him to it.

"If you were in our position you would do the same thing. Fairness and squareness are part of your code. You wouldn't be enjoying your present reputation and following if they were not. Your customers have confidence in you and you enjoy their good will because you have treated them right. And that's all we're trying to do, Mr. Smith. We want to be fair and square with everyone. We don't want to give your competitor an advantage which we do not give to you. Consequently, we have certain rules to help us to accomplish that purpose, and when we are strict in the matter of enforcing our terms, we give you the best evidence in the world of our sincerity and earnestness in trying to live up to those rules . . . etc., etc."

—and presto! Old Man Ire beats a hasty retreat. Observe the change in attitude:

"Gentlemen:

"I wish to thank you for the personal letter which I received in answer to mine; also for the kindly way in which you answered it.

"In this day and age it is rarely that one experiences a touch of human interest . . . etc., etc."

The rest of the letter is too lengthy to quote. The customer apologized, explained the cause of the delinquency, pledged future cooperation, and shortly after sent in an order for a carload of Pet Milk.

It's cases like this that make credit work fascinating. They test our tactfulness—our understanding of human nature. They provide valuable opportunities to build goodwill.

Some time ago we asked ourselves "Can we sell Pet Milk and collect for it in the same breath?" The answer was "Yes", and here's the result. It's the second collection letter in a series. Formerly a mild reminder, still a mild notice of delinquency couched in a unique sales message—unique in that it comes from an unexpected quarter, effective for the same reason; also a good collection letter. We reproduce it in full for your benefit:

MARCH, 1931

When writing to advertisers please mention Credit & Financial Management

"Gentlemen:

"An unexpected visitor came to see us yesterday.

"He was a customer who dropped in to say 'Hello', and incidentally to bring a check in payment of a past due invoice.

"After discussing such topics as the weather, golf, and the stock market, we asked if he were getting his share of the new business now being developed by Pet advertising and merchandising.

"He seemed to be very much interested in the fact that about 90 per cent. of the milk used in the home is sold from a wagon, and that our advertising is diverting this business to the retailer and jobber by converting women from the use of fresh milk to the use of Pet Milk.

"He seemed to appreciate also our work of helping his retailers to increase their gross sales and net profits by featuring other items in Pet windows and counter displays.

"Just before leaving, our friend made a statement which aptly expressed the present day attitude of jobbers. He said: 'Today, as never before, the jobber realizes that his present position and future prosperity rest upon the welfare of the retailer. We are necessarily interested in their problems, and are equally interested in the products of manufacturers who are helping these retailers increase their sales and their profits.'

"We are sure that this man voiced, also, your attitude toward the work which the Pet Milk organization is doing to help your retailers increase their sales. We hope you are getting your share of the new business.

"If Jersey City were nearer to St. Louis we might hope to see you come in some morning to pay us a visit, and to bring a check in payment of invoice of January 2nd—\$1050.00, now past due.

"As desirable as such a visit would be the distance between Jersey City and St. Louis makes it a rather remote possibility. Instead, we must content ourselves with the expectation that if you have not already mailed your check you will do so upon receipt of this letter. A self-addressed and stamped envelope is enclosed."

On a particular Thursday evening a group of food products credit men was gathered in a corner discussing problems in common. It was agreed that the losing of cash discount by a distributor was very definitely a danger signal. No distributor could survive long who did not avail himself of cash discount. It constituted the major portion of net profit. Everybody nodded in assent, yet there wasn't a man in the crowd who was doing anything about it.

Not long after, we started something. We began to keep a record of every customer who lost discount. First, to investigate his finances; second, to experiment with a little educational work. To investigate was protective; to educate, constructive. We liked the idea. We drafted a series of letters. The first one started like this:

"Today we discovered something of interest to you and to us.

"During the course of a general examination of our accounts, we noticed that of late you have been losing the cash discount on our invoices. No doubt this has been caused by oversight. We are sure that you want the discount, and that you will welcome our calling the matter to your attention.

"Recently we had an interesting conversation with one of our customers who operates a



Stop at UNITED HOTELS they are centrally located

TAXI Touring is expensive. Often it's unnecessary! There is one sure way to save salesmen's time and cut their taxi bills...stop at *United Hotels*...in the center of things...in 24 important cities of the United States and Canada. Being centrally located to the business section, it's quicker for a salesman to start out and end up at *United Hotels*. And besides, our managers will gladly route his calls in the best rotation. This is all part of the little extra services we like to give our guests.

*Your salesman can cut
taxi bills in these 24 cities*

NEW YORK CITY'S only <i>United</i> . . .	The Roosevelt
PHILADELPHIA, PA.	The Benjamin Franklin
SEATTLE, WASH.	The Olympic
WORCESTER, MASS.	The Bancroft
NEWARK, N. J.	The Robert Treat
PATERSON, N. J.	The Alexander Hamilton
TRENTON, N. J.	The Stacy-Trent
HARRISBURG, PA.	The Penn-Harris
ALBANY, N. Y.	The Ten Eyck
SYRACUSE, N. Y.	The Onondaga
ROCHESTER, N. Y.	The Seneca
NIAGARA FALLS, N. Y.	The Niagara
ERIE, PA.	The Lawrence
AKRON, OHIO	The Portage
FLINT, MICH.	The Durant
KANSAS CITY, MO.	The President
TUCSON, ARIZ.	El Conquistador
SAN FRANCISCO, CAL.	The St. Francis
SHREVEPORT, LA.	The Washington-Youree
NEW ORLEANS, LA.	The Roosevelt
NEW ORLEANS, LA.	The Bienville
TORONTO, ONT.	The King Edward
NIAGARA FALLS, ONT.	The Clifton
WINDSOR, ONT.	The Prince Edward
Kingston, JAMAICA, B.W.I.	The Constant Spring



representative wholesale grocery business. He showed us that the salaries and expenses of his sales force were equal to 2 per cent. of his purchases. In other words, the cash discount on purchases defrayed the salaries and expenses of his entire sales force.

"Another illustration given was that in the case of a cash and carry house employing no salesmen the discount earned throughout the year would defray the following expenses: *rent, heat, light, taxes, office salaries and supplies.* These are a lot of expenses—and if they are not paid with earned discounts, they must be paid out of gross profits. When paid out of gross profit there is little, if any, net profit left.

"This letter has been prompted by a genuine interest in your business . . . etc., etc."

Another read this way:

"Thirty-six wholesalers in a certain state got together to ascertain their average profit for the year.

"Among these thirty-six were jobbers of all sizes and types. The average gross profit was found to be 10.97 per cent.—expenses 8.60 per cent.—and net profit 2.37 per cent.

"A significant thing about these figures is that 2 per cent. of purchases constituted about 70 per cent. of net profit . . . etc., etc."

The beginning of just one more:

"It's different now!

"When wholesale grocers made a net profit of five and six per cent., cash discount could be passed up occasionally without serious effect.

"Today it's a different story. Margins of profit are narrower and cash discount has become an item of major importance . . . etc., etc."

These letters which originated as a supplement to a protective measure resulted in a series of pleasant surprises.

Customer after customer replied, agreeing with everything we said, and thanking us for our interest in their business. Then, opening their hearts, they told us of their troubles. They had found someone sympathetically interested, someone who displayed a knowledge of their business, and who therefore might be able to help. They gave us not only an opportunity to do constructive work, but they tapped a spring from which flowed a wealth of the most valuable kind of credit information. They told us things that all the mercantile and other agencies put together wouldn't discover for us in a hundred years.

Here's a typical opening:

"I surely thank you for your letter of October 8th. We appreciate it probably more than you can imagine."

—and a representative closing:

"We trust that you will keep this information confidential, as we have not burdened ourselves to anyone else in this light, and we would not care to have it become common property. Our sole object of doing so to you is because of the very nice letters you have written us and the expressed interest in our welfare."

Practical knowledge of the business of distributors or customers helps not only in registering intelligent interest, but is absolutely essential in the thorough analysis of a risk. Business has become so complex that we can no longer get along with the few elementary facts



ANSWERS TO CREDIT QUESTIONS

Conducted by Walter C. Foster

Foreign Corporations

Q. A manufacturer in Pennsylvania desires to sell his product in several other states, in some instances under an agreement which the state law requires, such as a lease, conditional sales contract or chattel mortgage, and the title in this product is vested in the name of the manufacturer until paid for in full. The material is shipped to the consumer not to again be resold in another state. In other words, it is a transaction between manufacturer and consumer. Would a transaction of this kind be termed intra-state business and would it be necessary to take out a license in the various states in which it is desired to operate on this basis?

A. A foreign corporation selling goods on conditional sale, chattel mortgage or lease is ordinarily not doing business in the state in which the purchaser is situated, and no license to do business is required, unless the contract itself is actually concluded in a foreign jurisdiction. We know of no decisions to the contrary. However, where actual transactions in foreign jurisdictions are engaged in, an opinion from attorneys in the states in which such transactions are carried on should be obtained.

Notes

Q. If a note reaches the bank where it is made payable before the close of banking hours on the due date, and the funds are available, is said note treated the same as a check and charged to customer's account without obtaining customer's authority?

A. Notes which are made payable at banks are not ordinarily charged by the bank against the depositor's account, unless the depositor has authorized it.

which may have sufficed in days gone by.

The successful credit man of today must be a student of merchandising. He must have a working knowledge of the policies and methods which make for success in the business of his customers. He must be so well versed in all phases of his own business, production, advertising, selling, that he knows exactly how his company's products and policies fit into the business of customers, and contribute to their success.

As to Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

Collections

Q. In placing accounts for collection, is there any way of determining the correct suit fee which would be applicable in the court where the suit is being tried?

A. The term "suit fee" means nothing more than the fee which the attorney will charge for his services after instituting suit on the claim. There is no fixed fee for such service. However, there is a custom in collection matters among attorneys, to charge the rates prescribed by the Commercial Law League, which in case of suit includes a minimum suit fee of \$7.50.

Guarantees

Q. Is the personal guarantee of a president or other officer of a corporation, guaranteeing the debts of the same corporation, of any value?

A. There is no reason why an officer of a corporation or any other individual may not enter into a valid contract guaranteeing the debts of the corporation. Whether or not the guarantee is of any value depends upon the responsibility of the individual who executes it.

If credit men, in addition to protecting receivables, can do a job of merchandising when the opportunity presents itself; if they can learn to rehabilitate a business as skillfully as some can liquidate; if they will practice what leading credit minds are preaching, they will become executives of the highest order. They will raise the standard of ability in the credit fraternity, and will render their customers and their companies a service of infinitely greater value.

"None So Blind"

(Continued from page 20)

Chart 1 shows that since the war each major downward swing in commercial paper rates reversed has been followed some months later by a corresponding downward swing in the volume of industrial production. Chart 2 shows that since the war each upward swing in money rates reversed has been followed some months later by a corresponding upward movement in the volume of industrial production. On these charts the dotted line represents commercial paper rates reversed and the solid line represents the volume of industrial production as reported in the Federal Reserve Bulletin. In the volume of industrial production is included the output of the factories and the mines in the United States. This is something definite and comparable month by month. Business or business activity estimates as commonly used are very indefinite and usually not comparable at different times and when uttered by different persons or agencies.

It is readily seen from these charts that the depression of 1930 was forecast many months in advance and that the revival through 1931 into 1932 was also forecast. When the captain at sea discovers his barometer has fallen rapidly and to a very low point, he does not stop to argue with the mate as to whether or not the falling of a column of mercury can cause a storm. He gets ready for the storm. I am not asserting here that increasing money rates cause declining business and declining money rates cause good business. It might be said however in passing that at the time this article is written, men of distinction in government, in business and in economics are discussing whether the low rediscount rate of 3½ per cent. made by the Federal Reserve Board in the latter part of 1927 set in motion the forces that caused the boom in business and in stock market prices in 1929 and whether this low rediscount rate simply stimulated business and speculation in 1927 and early in 1928, and whether the error was in not keeping these rates from running to extremes by prompt and perhaps repeated rises in the rediscount rate in 1928 and in 1929, if necessary.

From the facts that I have stated above it must be evident that if from the extreme low of the present, money rates move up to extreme highs, then it will probably be impossible to avoid another depression and perhaps a serious one. Of course as business increases,

money rates will rise, but ordinarily business activities alone even in a time of good business will not cause money rates to go to extreme highs in the United States. If as in the latter part of 1928 and in 1929, the common people quit saving and go into speculation, if business managers and subordinate executives become more interested in their stock commitments than in their business, then the demands of the stock market added to the demands of business will cause money rates to go to extreme highs.

From the middle of 1922 to the middle of 1928, money rates did not

go above 5 per cent. In the six years 1923 to 1929, business remained upon a fairly even keel with no extreme booms and no extreme depressions. Is there any reason why we should not be able to repeat this achievement in the six years ahead of us? There is a very good reason why we may not be able to do so. As I said at the beginning of this article, it is difficult and often impossible to avoid occurrences that we do not and cannot anticipate. If through ignorance or perversity, business men and others continue to believe that we cannot forecast in advance the major

(Continued on page 49)

Do You Really KNOW Your Customers?

Suppose one of the biggest, one of the best-rated, failed tomorrow, owing you a large sum. Impossible, you say? Why? In reality, just how much do you know about your customers? Our files are full of letters from policyholders who once felt the same way you probably do—they "knew" every one of their customers. But then, one day, in each case—the unexpected happened. As for instance, a New Orleans concern writes:

"The heavy credit losses we had during the past year came entirely unexpected, as they were all on highly rated accounts which had been good customers of ours for years."

American Credit Insurance

Failures and bad debt losses may happen with startling suddenness or lack of warning—but they happen—plenty of them—year after year. You simply cannot tell when they are coming, or from what source. But you can safeguard against them—fully and scientifically—with American Credit Insurance.

Credit Managers, surely this vital subject is worth talking over with one of our skilled representatives. He is at your service—right now.

The AMERICAN CREDIT-INDEMNITY CO. OF NEW YORK J. F. MCFADDEN, PRESIDENT

Offices in All Leading Cities

New York, St. Louis, Chicago, Cleveland, Boston,
San Francisco, Philadelphia, Baltimore, Detroit,
Atlanta, Milwaukee, etc.

In Canada—Toronto, Montreal, etc.

0162



IN THE MODERN OFFICE //

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Metal, Not Celluloid

In an article in the December, 1930, issue of *CREDIT MONTHLY* by Mr. L. D. Duncan, in which he described the operations of the credit department of B. F. Avery & Sons, Louisville, of which he is credit manager, an error was made in describing a credit card used by Mr. Duncan. The card indicates how accounts stand by means of a signal system which consist of a series of numbers (indicating various grades of credit) in the lower right hand corner of the card and a moveable marker clipped to the lower edge of the card. The marker was erroneously described as made of celluloid, instead of metal. Mr. Duncan has asked Credit and Financial Management to publish this correction because several credit executives have written to him asking him how he used this "celluloid" marker and he wishes to correct this erroneous impression.

Pay-Roll Efficiency

A patented pay envelope, known by the trade name of "Four-in-One" will be of interest to credit executives who handle the payrolls of their companies.

This is an open end envelope with a flap the same length as the envelope. The flap bears the pay record of the individual concern using it, showing the services on which the pay is based. This form is repeated on the envelope. Records are made through carbon paper; at a slight additional cost the flap can be carbonized, eliminating the use of manifolding paper. Each lot of envelopes is made up to order and any record required can be printed on the envelope to suit the individual employer.

The "Four-in-One" is used in the

following way: 1. the flap is folded over the envelope; 2. the payroll statement is filled out on the flap and by means of the carbon is recorded on the face of the envelope also; 3. the flap is detached and handed to the employee to sign; 4. the envelope is filled with the amount of money called for by the statement and then sealed; 5. the envelope is handed to the employee in exchange for the signed flap, which constitutes the receipt; both paymaster and employee thus have a statement showing the services rendered and the amount paid.

Collection Folders

Boston.—We use a series of six folders, 3½ inches x 5 inches, which we have found extremely helpful in our collection work. The first two in this series are illustrated above. The third page of each folder bears the collection reminder, which is, in every case, short, courteous and to the point. We feel that the cheerful little drawing on the cover of the folder carries more force than a lengthy plea for payment.

These folders are sent out by our credit department to all overdue accounts. The entire series of six is sent to each account. If after all the folders have been sent the account is still unpaid, we make a file of the case and handle it through special correspondence.

On one occasion, the first two folders brought in payment in full on 50 per cent. of the accounts solicited. This is rather unusual, but we find that results are uniformly good and we have had many fine comments from our customers about them.

R. E. CORTHILL,
The A. M. Davis Company



Two of a unique series of collection reminders described on this page

"None So Blind"

(Continued from page 47)

swings in business activity, and if for this reason or for any other reason such major swings are not anticipated, then it is very likely that we shall not avoid another serious depression. The only way we can avoid such a repetition of the suffering and the sorrow of 1921 and 1930 is through foresight. Foresight means looking ahead and discovering what is ahead and acting accordingly.

There is another reason why we may not be able to avoid another serious depression. If as in 1920 and 1929 business leaders, business writers and business editors cling to the fallacious belief that no one should at any time forecast any falling off in business, then it is possible that some few will know when a serious depression is threatened and such a small percentage of these will dare say anything about it that the people as a whole will move forward joyously singing of the "new era" until they reach the edge of the abyss. It reminds me of the school boy poem of the rowers moving swiftly on to the brink of Niagara, elated at their speed and laughing at the few frightened observers who vainly screamed their warnings from the bank.

Decreasing Loss

(Continued from page 23)

tests of Underwriters' Laboratories.

The Laboratories, organized by the stock fire insurance companies, impartially consider products that may in any way involve the hazards of fire, safety or danger to property. In some cases they have designed machines to perform some specific test and again suggestions have been offered companies for the improvement of their products. Purchasers of fire prevention material or fire protective equipment have come to depend upon the label of Underwriters' Laboratories as proof that the article is properly designed and will perform the service for which it was purchased.

Just as it would be useless to depend upon a hose that would not withstand water pressure or to put valuables in a safe that would not go through a fire, so it is dangerous for a city to permit the use of flammable material in construction, except under suitable building code restrictions. Fires in congested centers destroy more property and disrupt business to a greater extent than anywhere else, and it is therefore essential that the high-value districts in

modern cities should be built in such a way and with such measures of fire protection as to guard against conflagrations.

The National Board has studied all large cities of the United States and made recommendations through its modern building code for the regulation of buildings within city limits and its code has been adopted in whole or in part by a great many communities. Furthermore, the suggestions of the engineers representing the National Board have been followed in the actual construction of individual buildings, so that we can now erect skyscrapers that are reasonably fire-safe.

Another development has occurred within the last twenty years which would ordinarily escape the attention of business men. In times of conflagration it is necessary to call upon all available equipment. Years ago fire companies could not operate in other cities because the size of the couplings they carried was not the same as the hydrants of the locality in danger. There were many so-called standards in force and it has been an up-hill fight for National Board engineers to convince the organizations responsible that there should be one standard size of hose couplings and hydrants, so that any fire department, in any part of the United States, could aid in fire defense against conflagrations in any section of the country.

The work goes on. The National Board conceives it to be its duty to prevent fire and to suggest materials and devices for the control of fire, should it start. Business succeeds in this country in the ratio that wage earners feel security of life, property and earning power. The disruption caused by fire affects the earning power of the individual and of the community. The destruction of property stops production and thereby affects affiliated industries. Human lives must be spared from death by fire. If the National Board and other stock fire insurance organizations did not actively carry on the work of fire prevention it would be necessary for the business man to undertake the leadership. This work is a natural adjunct to business progress. Many business men in various parts of the country actively associate themselves with this work throughout the year and take an even greater interest during Fire Prevention Week. Chambers of Commerce, luncheon clubs, industrial plants, business organizations and the railroads sponsor fire prevention activities throughout the year, knowing they cannot prosper



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in a business way unless the damage by fire can be curbed.

Stock fire insurance companies do more than insure property. By their efforts they preserve it from burning and prevent the disruption of business and the consequent financial disorder that is brought about by large fires. Fire losses in this country are still too large per capita and are still too great a burden on progress, but with improved construction, better materials and better fire-fighting equipment, the menace to American business can be controlled.

Balance Sheets

(Continued from page 25)

record of past success as an indication of the probability of future success. Managements develop habits of outlook and procedure which are hard to change,—it is difficult for an old dog to learn new tricks,—and a management which has been successful under one set of conditions may not be so successful under another. It is even possible that it may not be successful under new conditions just because of its success under earlier conditions; that success may reflect habits which have

become fixed and are not suitable for the new conditions.

It must be observed, in the second place, that the past decade has been one of greater change in business conditions and methods than had been experienced by executives now active, and the next decade is likely to present similar characteristics. Before the war there was a long period of stabilized growth which constituted a sellers' market. There was change, but it was a change by small degrees to which adjustment was not difficult; and notwithstanding change, a sellers' market prevailed. Since the war, industry has suffered a buyers' market for all except a few new industries, and just now those industries are getting their taste of it. It seems probable that American industry has reached a stage of development in which, with swings from one to the other type, industry generally must continue to face the unfamiliar problems of a buyers' market.

Such a basic change in conditions is imposing new problems on business and compelling significant changes in details of management all along the line. In a buyer's market distribution is the outstanding problem, and already the technique in that field is being overhauled. A new concept of marketing, identified by the word merchandising, is replacing the older concept identified by the word selling. It requires a more scientific and painstaking kind of marketing technique. On the other hand this emphasis on distribution does not mean that "the production problem is solved", as so many loosely assert. The new merchandising makes the production problem more complicated and more difficult, and calls for new adaptation of the best that has been developed in scientific production management.

The problems of this transition period have brought out for special attention in manufacturing, jobbing and retailing alike a function of management which has heretofore not been much emphasized; that of general direction or administrative control. Back in the days of a continuing sellers' market the function of general direction of a business was not emphasized because direction and policy were largely determined by the flow of the stream of industrial development. But business has now entered the open waters of cross-tides and cross currents and attention has to be given to the helm. *Managerial economics* is now as important as manufacturing or selling. What effect will a probable further decline in the prices

of agricultural staples have on manufacturers producing commodities consumed principally by farmers—and on wholesale and retail outlets for these? What about the price of rubber and its relation to the future of concerns fabricating and distributing products made from that material? What will be the outcome of competition between small retailers, department stores and chain stores? What does the future of mass production hold for many a concern? And what if on top of that there develops some form of mass distribution? Those managers who are lying low in the expectation of a return to the pre-war "normalcy" are already back numbers. The next decade, at least, will continue the movements of the past decade toward the construction of a new normalcy. The new situation will demand a new kind of management and a higher level of management capacity.

Success or Failure

No wonder, therefore, that forward-looking credit executives are inquiring whether there may not be devised for their use, to supplement financial records of past performance, some balance sheet of management which will indicate the probability of future performance. That is the most a balance sheet of management can be—an indication of probability.

Is such a device possible? We believe it is. It is now a fact that a competent industrial engineer can in a single inspection of a business ascertain the nature of the framework of managerial procedures and whether it indicates the probability of successful conduct of the business. Of course the industrial engineer has a background which enables him instantly to perceive things which others fail to see, just as the experienced guide observes things in the woods that the casual hunter fails to note. But the casual hunter can, if he sets himself to it, become a pretty good woodsman. We believe the credit executive can, if he so desires, make himself familiar with the major characteristics of good management and become able to judge reasonably the probability of success of any particular credit risk. And if each credit executive does not consider it advisable to do this himself, his association may perhaps be able to carry an expert to establish managerial ratings as a service to members.

There are certain basic factors to be taken into consideration: first, the economics of the risk. An experienced credit executive should be so well in-

formed as not to experience difficulties here. He should have a broader outlook upon industry generally, and perhaps upon the particular industry, than the manager of any particular plant, because he has so many more varied contacts. He should at intervals ascertain by inspections and conversations whether the manager of a risk is giving attention to these matters and whether he is a manager of good judgment and conservative action in unstable times.

Then follows the appraisal of the actual methods of management. These methods should probably not be the same in details in any two risks; therefore certain underlying types of procedure should be available for the appraisal. These underlying types of procedure should be found to be essentially the same in every satisfactory risk.

1. Does the management really manage; that is, does it, in the light of the economics of the situation, plan ahead and lay out a program for a year or a season in advance? Is this program set up in the form of schedules and budgets in which each department is co-ordinated with all others and each given a specific task to accomplish and expense allowance with which to accomplish it? Furthermore, is control established by current reports of accomplishment and expense checked against the forecasting estimates? Finally, if things are found not to be going according to plans, does the management become active either in overcoming the unfavorable conditions or in revising the tasks and the budget? Does every executive receive periodically an analytical report giving the situation in the area of management for which he is responsible; and is he held responsible? In other words, is the general management always on its job of keeping the business on a straight course with sails trimmed to meet the conditions of the business weather?

2. How is the merchandising and selling organized and supervised; more particularly, is it really organized and supervised, or is it assumed that if sales people are engaged, selling will somehow take care of itself? Is the market being continuously studied in terms of items of the products? Are obsolete items discarded and new items added? Is a distinction made between high-profit and low-profit items and emphasis placed accordingly? Is the manufacturing or the purchasing department given regular requisitions which are specific as to quantities, qualities and times of availability?

3. Is the production or procurement department geared to produce or procure every item requisitioned when and as wanted by merchandising? Are the facilities adequate, yet without surplus investment? Is control of materials and processes so precise that inventories are kept at a minimum without jeopardizing the availability of items? Are costs recorded and are they kept low, not only with respect to costs generally in the industry, but also with respect to the possibilities in the particular situation?

These are but specimen questions of many which the credit executive should ask himself about a risk. Questionnaires and elaborate reports by risks are not required. What is required is a knowledge of the earmarks of good management and a keen eye on the part of the credit executive himself. In most instances if the risk is doing things correctly and systematically—and these are things which may be observed—the business is being well managed. If it is being well managed the probability of success is established. In times of change and stress and strain financial statements of past experience do not give this information adequately.

The Right Ending

(Continued from page 27)

Therrien, so thinking that he had written the letter he called to check up the matter. The reputable Mr. Therrien said that he had written no letter to Wilson Brothers. Upon the basis of this information the formal request for investigation was made. Once more Investigator Schmid got on the job. A careful comparison of the letter written to Wilson, under date of December 22, and signed by F. T. Therrien, was made with the letters written by J. H. Jacques, who had skipped away from 72 Emerson Street, Haverhill. The hand writing revealed that the letters were written by the same person. So once more Donat Jacques, under the alias of F. T. Therrien, was using the name and rating of a reputable merchant to order merchandise through the mails. This matter was brought to the attention of the United States Post Office Inspector who immediately proceeded to Lawrence for the purpose of locating and apprehending F. T. Therrien. Donat Jacques became quite prolific in his activities for he also began to do business under the name of F. Gardner, Lawrence, Massachusetts. Early in December, 1930, the prolific Mr. Jacques was also operating in New

One Month's Convictions			
Fraud Prevention Department of the National Association of Credit Men			
DECEMBER, 1930			
CASE	INDIVIDUAL	CHARGE	SENTENCE
Labowitz Clothing Co., 704 Broadway, New York City (Clothing)	Labowitz, Harry	Issuance of a false financial statement	60 days
Blue Bird Silk Shop, 112 Jamaica Avenue, Richmond Hill, N. Y. (Specialty Shop)	Miller, James	Concealment of Assets	9 months
Louis Israelite, 2152 Fulton Street, Brooklyn, N. Y. (Haberdashery)	Israelite, Louis	Concealment of Assets	4 months
R. L. Jackson, tdg. as National Sales Co., Blairsville, Ga.	R. L. Jackson	Concealment of Assets	2 years and 6 months
United Carpet Mills, 7 Haverhill St., Boston, Mass. (Carpets)	Max Levine	Conspiracy to Conceal assets	Fined \$375, placed on probation for 1 year.
	Thomas Geffins	Conspiracy to Conceal assets	Fined \$250, placed on probation for 1 year.
	Harry Abrahamson	Conspiracy to Conceal assets	Fined \$375, placed on probation for 1 year.
Floyd Napier & Son, Garrett, Kentucky (Gen'l. mdse.)	Floyd Napier	Vio. Postal Laws	60 days in jail
The General Wood Turning Co., Chicago, Ill. (Mfrs. lamps and dining tables)	Abe Bresn	Conspiracy to Conceal assets	To be sentenced later
	Harry Bresn	Conspiracy to Conceal assets	To be sentenced later
Harry E. Kaplan, Chicago, Ill. (Jewelry)	Harry Kaplan	Concealment of Assets	12 months suspended.
Edward P. Murray, Victor Krichewsky, Portland, Oregon (Fruits & vegetables)	Victor Krichewsky	Grand Larceny	Fined \$500. One year imprisonment County Jail; jail sentence suspended; fine paid.
Ralph A. Burke, Chico, Calif. (shoes)	Ralph A. Burke	False financial statement	Six months' imprisonment County jail; suspended.

Total of 1057 Convictions from June 1, 1925 to December 31, 1930.

Bedford, Massachusetts, under the name of O. Boucher.

Assistant United States Attorney, John J. Walsh, Jr., informed Investigator Schmid that a man and woman, who had been arrested on charges of fraudulency, were being held by the Lawrence police department for conspiracy to defraud Bogle Brothers of White River Junction, Vermont, from whom ten watches had been ordered. They were held for operating a scheme similar to the one operated by J. H. Jacques of 72 Emerson Street, Haverhill. Investigator Schmid and Attorney Walsh interviewed Donat Jacques and the woman who gave her name as Rose Desjardin. Jacques admitted that he was in Haverhill in 1929 and that he resided at 72 Emerson Street. But Rose Desjardin refused to admit that she was with him in Haverhill, although she admitted that she and Jacques had been together for about four years. Careful investigation into the case revealed that Donat Jacques and Rose Desjardin were not married. The investigation definitely proved that the man and woman in the

Lawrence jail were Donat Jacques and Rose Desjardin and that Jacques had been operating under the names of J. H. Jacques, F. T. Therrien, F. Gardner and O. Boucher—and getting away with it.

In addition to serving as a wife for Donat of the many aliases Rose Desjardin fulfilled another very important function. She would take merchandise, that had been obtained fraudulently, to pawn shops and loan companies and pawn them for as much as she could get. This was a nice easy way of getting cash for the merchandise that hadn't cost them a cent. She had also made a practice of selling dresses, ladies' stockings, men's shirts and watches to Selem K. Mansour, called Slim Mansour and otherwise known as Selem K. Hassen. But there are so many aliases in this story and such a promiscuous use of names that one has to be careful of getting all tangled up. Innumerable pawn tickets were found representing the merchandise that Rose Desjardin had hocked under the names of Alice Demarais, Alice Razean, Allice Bilodeau,

(Continued on page 54)



CREDIT AND FINANCIAL MANAGEMENT

A MODERN SLANT!

■ A MODERN SLANT on the old problem of efficiency and economy in the credit department:

■ USE STANDARD CREDIT FORMS, approved and published by the National Association of Credit Men. Low price—because of volume printing; System—because standardized and simplified; Good-will building—bearing Association approval: three significant advantages to the credit executive.

■ Envelope financial and property statements are typical. As you see at the left, proof of transmission through the mails—important in case of fraud—is self-contained. At right you see the form both open and folded for mailing.

■ Samples and prices on request.

NATIONAL ASSOCIATION OF CREDIT MEN
ONE PARK AVENUE NEW YORK

The Right Ending

(Continued from page 51)

Yvonne Lebelli and Yvonne Lozen. Looks as if Rose was about as good on fabricating names as Donat himself—and maybe a little better.

This Slim Mansour, who had purchased merchandise from Rose, was a Syrian pedler with swarthy complexion and a dark mustache. Slim Mansour wasn't very good pay because he would generally give Rose about \$.50 or \$1.00 at a time and never more than \$2.00. At the time Rose was identified in the Lawrence jail she admitted that Mansour owed her about \$4.00. Mansour became her customer because Donat Jacques, while working in a Lowell booze joint, had become acquainted with him. Mansour must have been a big buyer, because he told Rose that he would take all the elastic and shoelaces that she could get for him. For some reason Rose didn't like Lowell, because she refused to go to Lowell to identify Slim Mansour and the goods he had bought from her—or for any other purpose.

When Slim Mansour was investigated he said that he didn't know Donat Jacques and Rose Desjardin and denied any business relations with them. It was found, however, that several Post Office employees at Lowell had purchased watches from James Mansour, the son of Selen "Slim" Mansour. Post Office Inspector Rice arranged to have these watches brought to the Post Office so their numbers could be taken in order that they might be traced back to Donat Jacques. Upon tracing the numbers of these watches it was found that they had come into the hands of Mansour and his son through Donat Jacques.

Just previous to the time that the investigation was made into the affairs of Slim Mansour, the New Bedford operations of Donat Jacques and Rose Desjardin were also investigated. It was revealed that Rose had been working the loan companies and pawn shops of New Bedford to considerable extent, but Donat had undergone somewhat of a metamorphosis, because instead of being a jewelry salesman he now represented himself as being in the silk stocking business. On October 23, 1930, the owner of a rooming house in New Bedford took in two roomers who gave their names as Mr. and Mrs. Boucher of Berlin, New Hampshire. The landlady says that when the couple arrived they had a large supply of silk stockings. But Mr. Boucher stayed for only

about three weeks—Mrs. Boucher stated that her husband had gone to New York on a business trip, and then on the third or fourth of December Rose Desjardin, alias Mrs. Boucher, "skipped out" owing one week's rent. The landlady of the New Bedford rooming house stated that this was not the first time this couple had been here, and that on September 10, 1929, they had occupied one of the rooms as Mr. and Mrs. Joseph O. Boucher of Dover, New Hampshire, leaving on September 12. They did manage to keep a good enough record of this one alias to register under the same name the second time that they came to this rooming house.

And now our story draws to a close. The work of Investigator Schmid, United States Attorney Walsh, Post Office Inspector Rice, Police Inspector Morrissey of Lawrence and Detective Sergeant Haran of New Bedford definitely established the fact that Donat Jacques, assisted by Rose Desjardin, operated as J. H. Jacques, F. T. Therrien, F. Gardner and O. Boucher. After these facts were all established a hearing was held before Judge Pierce at the Lawrence District Court. Donat Jacques and Rose Desjardin were held before the Essex County Grand Jury on eleven charges of conspiracy to commit larceny. Jacques was held under \$4500 bail and Rose under \$3000 bail, in default of which Jacques was remanded to the Lawrence jail and Rose to the Salem jail.

On January 6, Slim Mansour was held on four counts of "accessory before the fact of larceny" and further on three counts of conspiracy with his son James Mansour, for receiving stolen property. To these charges Slim pleaded not guilty, and his son James pleaded guilty to two counts of receiving stolen property and pleaded not guilty on the conspiracy charge.

And here is the surprise ending of the story. These commercial criminals have had an aptitude for not getting the punishment they deserve. They had had their cake and eaten it too. District Attorney Hugh A. Clegg prosecuted this case in the Essex County Superior Court before Judge Cox on the basis of the facts established by Investigator Schmid and the others previously mentioned. Judge Cox sentenced Mansour to two and a half years each on two counts and a total sentence of no less than five and no more than nine years on all counts, to be served in the Massachusetts State Prison. Donat Jacques, who had previously pleaded guilty, was

sentenced to two and a half years in the Massachusetts State Prison. Rose Desjardin was placed on probation for two years. Both Jacques and Rose became Government witnesses against Mansour. And so ends the career of Donat Jacques, alias J. H. Jacques, alias F. T. Therrien, alias F. Gardner, alias O. Boucher. Donat has had many names and addresses during the last two years, and in case you want to get in touch with him you can be sure that for at least two and a half years he will have the same name and address—Donat Jacques, Massachusetts State Prison.

Collections and Sales

(Continued from page 30)

since the bank failures about ninety days ago Collections in Memphis are "Slow". Payments on new accounts are being made fairly promptly but the collections of old accounts is still slow.

TEXAS: Austin reports that rain has slowed up sales more than any other factor. The spring market season in Dallas is quite successful from the point of view of wholesalers of ladies' wear. Collections and sales in other lines are spotty. Fort Worth reports that collections started off the first of the year with an increase over December, 1930, but February has shown a decline and there have been numerous failures and also fires during the past month. There have also been several bank failures in this section with a resultant depressing effect on collections. Sales continue to show a slight improvement. Business men in general seem to have forgotten "hard times" and are in better spirits and quite optimistic for the future. Most of the merchants in this section report business as "good."

Economic Credit Council

(Continued from page 31)

- J. A. Taylor, The Chas. H. Lilly Co., Seattle, Wash.
- Mrs. Bertha C. Teachout, Lyon, Kortenhoff & Co., Jackson, Mich.
- R. S. Thornton, Geo. L. Claffin Co., Providence, R. I.
- J. L. Tobey, The Pompeian Co., Inc., Elmira, N. Y.
- Leon Trousdale, Alabama Machinery & Supply Co., Montgomery, Ala.
- Miss B. Washburn, The McCormick-Armstrong Co., Wichita, Kan.
- M. D. Wasson, Parke, Davis & Co., Detroit, Mich.
- V. H. Weber, Stratton & Terstegge Co., Louisville, Ky.
- Arthur L. Wells, United States Trust Co., Newark, N. J.
- G. H. Williams, H. A. Caesar & Co., New York City, N. Y.
- Ray Wise, Eureka Bottling Works, Billings, Mont.



COURT DECISIONS AND WASHINGTON NOTES

FALSE FINANCIAL STATEMENT. DISCHARGE. (N. Y.)

Hearing on exceptions to specifications. Trustees of the above-named bankrupt and a creditor have filed identical specifications in opposition to the discharge of this bankrupt; the Fifth specification contends that the bankrupt obtained money and property on credit by making a written, materially false statement respecting his financial condition; and that he was the president and sole stockholder of the corporation known as H. Licht, Inc., from which he withdrew substantial funds, and used the corporation as a cloak and guise for his own individual transactions. The statement is said to have been false in that it set forth a net worth on the part of the corporation of above \$400,000, whereas there was an actual deficit of substantially that same amount. The bankrupt demurred to the foregoing specifications. *Held* that Section 14 (b) of the Bankruptcy Act, as amended in 1926, provides that, where the bankrupt has "(3) obtained money or property on credit . . . by making . . . a materially false statement in writing respecting his financial condition", the discharge may not be had. The statement by this bankrupt of the condition of H. Licht, Inc., was a statement of his financial condition to the extent that the corporation was an element of his property holdings. In the belief that honesty and fair dealing are equally important whether the property covered by the statement be held in a corporate guise or by individual title, the exceptions to the specification in question will be overruled. *Matter of Licht*. U. S. Dist. Ct. E. Dist. of N. Y. Decided December 10, 1930.

* * *

SALE. RECLAMATION. (ALA.)

The appellant filed its petition in the court below to reclaim from the trustee in bankruptcy a number of automobile tires and tubes in the possession of a bankrupt. The petition was denied. The claimant, who was a manufacturer of automobile tires and tubes, entered into a written contract with the bankrupt, who was a dealer in such merchandise, for the alleged storage and distribution of its products. The written instrument was termed a warehousing agreement and, according to the appellant, the delivery of the goods constituted a bailment. The contention of appellant is that the transaction amounted to a sale. In operating under the contract the bankrupt had exclusive custody of the property and exercised sole and complete ownership over the proceeds. *Held* that the transaction was not a bona fide bailment but constituted a sale. The alleged warehousing agreement was a subterfuge, attempting to disguise the real transaction between the parties, and constructively fraudulent as to creditors. The real characteristics of a sale are not changed by calling it a bailment. The written instrument was evidently intended to provide security to the claimant for the collection of the debt due it by the bankrupt, and,

not having been recorded, it is void as to creditors under the statutes of the State of Alabama. Being void as to creditors, it is void as to the trustee in bankruptcy who is vested with all the rights, remedies, and powers of a creditor. Decree for appellee affirmed. *Samson Tire & Rubber Co. vs. Eggleston*. U. S. C. C. A. 5th Cir. (Ala.) Decided December 16, 1930.

STATUTORY ASSIGNMENT FOR BENEFIT OF CREDITORS. COMMON LAW ABROGATION. (COLO.)

The cafe and candy company made an assignment for the benefit of creditors. The assignee sold the property to defendants. The Colorado Statute 6242 provides that any person may make a general assignment for the benefit of creditors. The assignment was not in accordance with the provisions of the statute but would have been valid at common law. A creditor of the assignor garnished the property. Judgment was rendered for plaintiff. *Held* that this was error. A statute in derogation of the common law will be construed strictly. Here the word "may" shows the statute is directory. Nothing in the statute shows that common law assignments are abolished. The assignment being valid at common law, the sale by the assignee vested title in the defendant. Reversed. *Damascus & ano. vs. McCarty*.—Johnson Heating and Engineering Co. Colo. Supreme Ct. Decided January 28, 1931.

* * *

MECHANIC'S LIEN. NOTICE OF LIEN. COMPLIANCE WITH STATE STATUTE. (N. Y.)

The property involved was at the time of the transactions known by the four correct street numbers. The contract, under which was furnished the material for which a lien is claimed, used the same four street numbers. The Lien Law of New York prescribed that, "The notice of lien shall state: The property subject to the lien, with a description thereof sufficient for identification; and if in a city or village, its location by street and number, if known." The notice of lien omits a portion of the premises to which the lien might have attached. It includes land to which it could not possibly attach. It gives only one of four separate street numbers actually applicable. *Held* that manifestly there has been no compliance whatever with the statute, either substantial or otherwise, and liberal construction can afford no assistance. Referee's order affirmed. *Matter of Friedal Corporation*. U. S. Dist. Ct. So. Dist. of N. Y. Decided January 23, 1931.

* * *

SALES. BREACH OF WARRANTY. LIABILITY OF DEALER.

Action for breach of warranty. Plaintiff bought a loaf of bread at the defendant's grocery. The loaf had concealed in it a pin, which hurt the plaintiff's mouth. *Held* that the plaintiff did not rely on the seller's skill or judgment. His wife stated to the salesman

that she wished to have a loaf of "Ward's bread." The salesman gave her what she asked for, wrapped in a sealed package as it had come from the Ward Baking Company, the baker. She made her own choice, and used her own judgment. The award of damages, it is to be upheld, must rest upon some other basis than the imputation of reliance. Loaves baked with pins in them are not merchantable quality. The dealer is thus charged with liability though the buyer selects the brand, just as he would be liable for concealed defects upon a sale of wool or silk, under (Pers. Prop. Law, Sec. 96, subd. 2). Here the sale was by description, the defect was wholly latent and inspection was impossible. In such circumstances, the law casts the burden on the seller who may vouch in the manufacturer, if the latter was to blame. The loss in its final incidence will be borne where it is placed by the initial wrong. The argument is made that the only damage to be recovered for the breach of the warranty of merchantable quality is the price of the bread, the difference between the value of a good loaf and a bad one. The rule is not so stubborn. The dealer had notice that the bread was to be eaten. This was knowledge that the damage would be greater than the price. Judgment for plaintiff affirmed. *Ryan vs. Progressive Grocery Stores, Inc.*, N. Y. Ct. of Appeals. Decided February 10, 1931.

WASHINGTON NOTES

A Profitable Grocery Store

An annual net profit of about \$8,000 was achieved by efficient merchandising in an ordinary neighborhood grocery store, one of the establishments studied in the Department's Louisville Grocery Survey, Dr. Frank M. Surface, Assistant Director of the Bureau of Foreign and Domestic Commerce, stated in a recent radio address. This profit was shown after allowing for all expenses, including an allowance for rent on the building owned by the proprietor and salary to the owner and to his wife who spent part of her time in the store. On an average inventory of about \$3,000, this grocer was selling \$120,000 worth of goods a year, representing an annual turnover of approximately forty times.

Important elements in the success of the store were careful stock control based upon accurate records, and aggressive merchandising through the free use of the telephone and modern store arrangement and display of goods. About 65 per cent. of the store's business was on a credit and delivery basis, but bad-debt losses were insignificant, owing to careful scrutiny of charge accounts.

MR. RIPLEY, WE APOLOGIZE, but—

“Believe it or not”



we received enough letters about one issue of CREDIT and FINANCIAL MANAGEMENT to make a pile of letters two and a quarter inches high. And “believe it or not” this stack of letters isn’t padded a single bit—every letter is bona fide.

Now we want another pile of letters this high from our March issue. Or higher. We want you to send in the names of your customers that you think would be benefitted by reading CREDIT and FINANCIAL MANAGEMENT. Help make them better credit risks. Why not send in the names of some of your fellow executives who do not get the magazine? We’ll do the rest. Help yourself, your customers and your friends—and help us. Send in the names at once to CREDIT and FINANCIAL MANAGEMENT, ONE PARK AVENUE, NEW YORK.

*2 1/4 inches
of
Reader Interest*